MORE ANNUAL REVIEW FORECASTS

THE UNIVERSITY OF MICHIGAN
JAN 23 1959
BUSINESS ADMINISTRATION LIBRARY

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 189 Number 5814 New York 7, N. Y., Thursday, January 22, 1959 Price 50 Cents a Copy

EDITORIAL

As We See It

Word comes from Washington that the Democratic majority has chosen the field of housing to present its first challenge to the President's balanced budget demands. Mortgage terms to be granted by the Federal Housing Administration would be eased far more than the President wishes. Slum clearance grants would be increased well in excess of anything that the President wishes. Another bill would revive anti-depression provisions for mortgage buying by the Federal National Mortgage Association. Plans are afoot for the Federal financing of housing for the elderly, and programs for public housing objectionable to the President are being formulated. Similar help for colleges and veterans is envisaged in other measures now in the mill. Some of these plans would impinge directly and substantially upon the budget for the coming fiscal year; all of them would burden budgets at some time or other.

More and better housing, in part at public expense, has been a favorite theme for the politicians ever since the New Deal first got under way. As is well known, some of the most irresponsible parts of the insurance and guarantee programs of the Federal Government have been in this area. The population of this country ever since the dead hand of the big depression was lifted by war has been growing at an unusually high rate—a fact which, of course, has given rise to greater demand for housing. Population also has been moving at an unprecedented rate from the central cities to the suburbs where ordinarily families live in houses of their own, or at least houses which will be their own when the mortgages are

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Business and Finance Speaks After Turn of the Year

ANNUAL REVIEW FORECASTS: PART II

For various reasons, a large number of the 1959 business and economic forecasts especially written for the "CHRONICLE" could not be accommodated in Part I of our ANNUAL REVIEW AND OUTLOOK ISSUE of Jan. 15. All of these outlook statements, of course, reflect the individual opinions of government officials and of the country's leading industrialists, bankers and financiers on the probable trend of economic activity for specific industries and business in general. The remaining unpublished commentaries received by the "CHRONICLE" are given in today's issue starting herewith:

HON. JOHN F. KENNEDY

U. S. Senator from Massachusetts

The 86th Congress has already met and established a record for bills introduced in the first few days. Most of these bills will be examined and left to wither in committee pigeon-holes or become lost in disagreement between the House and the Senate. However, those that are enacted into law will determine the place in history of this Congress.

Sen. J. F. Kennedy

It will not measure its success in terms of how much money it can spend, how many times it can outmaneuver the President, or how many sensational headlines its investigations produce. It will be successful only if it can cope with the many pressing foreign and domestic problems now crying out for thoughtful, responsible legislative leadership. This is not a question of numbers of bills passed but of the manner in which the talent and determination of the members of Congress is used to meet the challenges they face. Obviously the overriding issue for 1959, as it was in 1958, is the question of war or peace. This involves all the issues of our relationships to our allies, our basic policies toward Latin America, India, Africa and the uncommitted nations of

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Stock Market Outlook

By KENNETH WARD*

General Partner, Hayden, Stone & Co., New York

Mr. Ward prognosticates a mild, temporary interruption in market advance in near future and a bullish year on balance without, however, a market rate of advance as last year. Tempers bullish enthusiasm about future stock price action with: an admonition against watching market averages, admission that traditionally the start of a new year is a difficult time to forecast market-business trends, and advice to exercise careful selectivity as many stocks may have already over-discounted a more favorable earnings trend. Mr. Ward also ticks off bearish and bullish factors, defends useful role performed by charts, and submits brief opinions on 27 individual groups, and stock favorites therein, and ten lower priced stocks picked for price appreciation. Presages a sudden coming to life for airlines, textiles, domestic and international oils, among others.

The penalty anyone pays for constantly writing about the market, or in this case, forecasting, is that sooner or later he is asked to stick his neck out publicly and express an opinion. Professionals in the business are perfectly aware how difficult it has been, how hard it still is and how complex it probably always will be to describe on paper, or forecast, the action of anything as divergent, selective, contrary and rotating as this present day stock market. Forecasting the trend of the 1959 stock market, based on what we know today, is just about as easy as making a similar forecast on the win, place and show results of the next Kentucky Derby. In this connection, one of my Swiss banker friends told me: "If you were always right about the market you would not write any-

Kenneth Ward

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*An address by Mr. Ward before the New York Society of Security Analysts, New York City, Jan. 14, 1959.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 70.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Philip Carey Manufacturing Co.—Jack H. Deutschmann, of E. F. Hutton & Co., New York City. (Page 2)

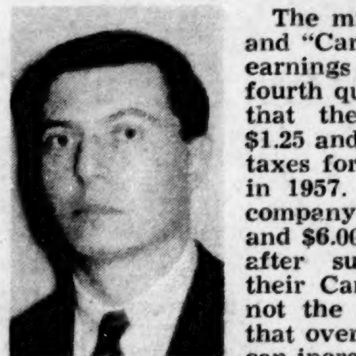
Milgo Electronics Corp.—William L. Dewart, of John Muir & Co., New York City. (Page 2)

JACK H. DEUTSCHMANN

E. F. Hutton & Company
Members New York Stock Exchange and other principal Stock Exchanges

Philip Carey Manufacturing Co.

The investing public and community usually like nothing better than a stock which is reasonable in price in relation to the general market and to its own industry. Many a company will sell at a modest average P. E. ratio due to its past earnings record. Either an erratic one or one which is very stable. When an erratic earner becomes more stable, people are usually willing to pay more for it. And when a stable company becomes a growth company, the public can well view it with increased respect and attention.



Jack H. Deutschmann

Philip Carey Mfg. Co. is an excellent example of a very stable, relatively uninteresting company, which now appears to be on the threshold of a new dynamic growth phase.

An old line company, established in 1873, in the home building supply business, "Carey" has enjoyed an excellent, if quiet, reputation in the industry. Its growth rate has been practically nil in the past ten years. In 1949 it had sales of $39,902,929 and earned $3.08 per share. In 1957, nine years later, they had sales of $69,889,864 and earned $3.08 per share. Certainly a stable, if uninspiring, performance.

Adhering to the old motto, "Shoemaker stick to your last," "Carey" has not ventured far from its field. Its primary production and sales effort has been in asbestos, cement, shingles and siding, etc., wallboard and sheathing, roofing, air conditioning ducts, waterproofing materials, etc. In 1952, the company got into the air conditioning business by purchasing the ventilating fan division of the Victor Electric Products Company. In normal circumstances, "Carey" would be assured of a moderate growth potential in the next few years. All indications point to an explosive building boom in the 1960s. The family formation during the middle 60s is expected to be extremely large. The war babies of the Second World War will be of age. On this premise, "Carey" would be worthy of attention. However, it appears that "Carey" will now be the beneficiary of a sharply increased earnings and cash flow, stemming not from manufacturing but from mining and processing of asbestos.

Very quietly, "Carey" has brought into production a new asbestos mine in Canada. Over the past few years, "Carey" has spent over $7 million developing this 700 acres of mineral property. This is in contrast to American Smelting and Refining's investment of over $40 million for a one-half interest in a property of similar size in Canada.

It appears that "Carey" has asbestos reserves of up to 100 million tons and the type of fibre which is now in great demand. The premium asbestos fibre hair is "longs," but "Carey" has for the most part "shorts." However, there is a glut in the "longs" market. On the other hand, there is a shortage of "shorts," and "Carey" has been able to sell all the fibre it can produce. This demand for "shorts" comes from a great increase of asbestos in floor coverings, insulation, pipe wrappings, pipe, plaster, etc. It is difficult to see how "Carey" can not make big money in the years ahead.

The mine is now in production and "Carey" will benefit from its earnings for the first time in the fourth quarter of 1958. I estimate that they will report between $1.25 and $1.50 per share net after taxes for the past quarter vs. 57¢ in 1957. In 1959, I estimate the company will earn between $5.50 and $6.00 per share. This will be after substantial write-offs on their Canadian property. This is not the end, for it is estimated that over the next few years they can increase their earnings by another $4 to $6 per share through increased production for the mine.

With potential earnings of $8 to $9 per share for their Quebec asbestos operation plus $2.50 to $3.00 per share in their fabricating business, it would appear that "Carey" at its present price of approximately 43½ is very moderately priced.

A group recognizing the potential value in "Carey" has accumulated approximately 150,000 shares in the past few years. This is approximately 18% of the outstanding stock.

WILLIAM L. DEWART

John Muir & Co., New York City
Members New York Stock Exchange

Milgo Electronics Corp.

Milgo Electronics Corp. is another "romantic" growth electronics company, now in only its third year. It started with but five employees, and today it numbers more than 250, and still growing. The company supplies products for the Government, chiefly in the missile field, and for commercial purposes. Of the latter, its latest important product, now on a scheduled volume basis, is the XY Recorder.

William L. Dewart

During the past year, despite the so-called recession, Milgo was able to grow and increase its backlog. But most importantly, the company made these highly significant developments:

(a) Established a planning and scheduling department for all facets of electronics and mechanical fabrication.

(b) Strengthened and expanded purchasing and material handling department.

(c) Streamlined the company, so that all functions dealing with dollars or materials are under the Treasurer.

Those functions dealing with operations and manpower are under the General Manager, with both the Treasurer and General Manager reporting directly to the President.

The plant is now adequate, covering 34,000 square feet, and entirely modern. Personnel is also adequate and improving constantly in the Miami area where highly skilled and technical labor abounds.

Finances are in good shape. A line of credit has been established with the First National Bank of Miami for $500,000, and a new stock issue for $250,000 was successfully floated, and in fact oversubscribed.

Sales (completed contracts) soared to $922,733 to September 30, 1958 fiscal year, from $619,429 in the like period of 1957, a gain of 50%. By the end of next fiscal year, Sept. 30, 1959 the company expects to bill sales of completed contracts in excess of $2,000,000.

New items developed include plug-in transistor networks, stepping switch assemblies, amplifier packages and patch panels. Big items include plotting boards, special purpose analog computers and a complete line of radar instrumentation packages. In addition, the company is now developing a complete new line of data transmission and conversion equipment.

Shares outstanding of capital stock ($1 par value) total $100,702.

Total current assets are $704,805 against total current liabilities of $238,218.

Earnings per share as of Sept. 30, 1958 were $1.04 vs. 85c in the like 1957 period.

No definite prediction can be made for the 1959 fiscal year, but based on backlog and increased orders, both Government and commercial, it can be seen that there is an excellent chance of possibly doubling the 1958 earnings per share.

The geographical location of the company is a decided advantage. Patrick Air Force Base is nearby—one of the company's largest customers. The State of Florida is a leading locale in the field of missiles and missile development and execution.

In less than three years, Milgo Electronics has shown remarkable development and efficient management, foreshadowing excellent growth possibilities. This company has that great rarity—a "team." The President, Monroe A. Miller, and the Vice-President, Lloyd F. Gordon, have long and successful careers as electronic engineers and are regarded by the authorities at Canaveral as two of the outstanding authorities on missile instrumentation and other types of missile electronics. The Secretary, William F. Rose, is the General Manager, and has compiled a record in personnel which is outstanding, one pertinent fact being the negligible labor turnover. He also doubles in "brass" as the Sales Department. It is a team that operates as one, and is unique in business today. We can expect great things from such a combination of brainpower, ability and teamwork. Besides this, they are cognizant of the necessity for a second line, and have been successful in building a very good echelon there, which in the future could take over if necessary.

Stockwise, from an issuance of cost per share of $1, to a present market price of 64, in slightly over three years, the company would appear to have outstanding possibilities far better than the average. The stock is traded in the Over-the-Counter Market.

The General Economic Scene and Permanent Cure for Homebuilding

By GROVER W. ENSLEY*
Executive Vice-President
National Association of Mutual Savings Banks, N. Y. City

In foreseeing 1.2 million housing starts or more for 1959, compared to 1.3 million rate recently reached, Dr. Ensley calls for an end to FHA-VA interest rate ceiling and for national fiscal discipline. He asserts any action short of interest rate flexibility for insured mortgages will still leave basic problems in housing markets unsolved; warns home builders that failure to stop inflation will affect the volume of long-term savings; and contends FNMA expansion is too heavy a price to pay for a temporary housing stimulus. The savings banks' economists claim that home building may suffer in the short run because of anti-inflationary monetary and fiscal policies but only through such policies can supply of mortgage credit and savings-flow be increased.

Not often have we entered upon a new year with such unanimity of informed opinion on the outlook for economic activity. The outlook for 1959 and immediately beyond is indeed bright, and justifiably so. The American economy has shown an amazing resiliency by snapping back from the deepest recession in the postwar years in near-record time — as recessions are measured—to achieve new high levels of total output of goods and services by the end of 1958.


Grover W. Ensley

In the process of decline and recovery we have learned many things about our economy. We have learned that prices and wages do not necessarily decline in recession; that disposable personal income can be maintained at high levels and, as a consequence so can consumer expenditures; that corporations need not reduce dividend and salary payments in the face of declining profits; that nondurable goods and service industries can continue strong as durable goods industries falter; that personal savings can rise dramatically in recession and continue upward in recovery. These and other elements are testimony to our ever-changing, dynamic economy— an economy which will soon be producing goods and services at an annual rate of $500 billion.

The road up to this staggeringly high figure—which is likely to be achieved before 1960 is very old—will not be entirely smooth, nor, on the other hand will it be very bumpy. So far, the recovery from 1958 lows has been broadbased and vigorous. The upturn in housing has contributed importantly to the general economic turnaround, with a rise from an annual rate (seasonally adjusted) of around 900,000 starts last spring to about 1.3 million this winter. Increased outlays by both Federal and local governments to new highs have been significant factors in recent economic expansion. Moreover, business men have markedly reduced their liquidation of inventories as consumers have increased their expenditures to record levels.

It is important to note that increases in activity since midyear have been accompanied by relatively stable prices so that our gains in output have been in real terms. In the industrial sector, where the earlier decline in economic activity was centered, physical output has recovered rapidly to regain four-fifths of the prerecession peak level. This means that since early spring, production from the nation's factories and mines has increased 16 percentage points as measured by the Federal Reserve Board, following a decline of 20 points from early 1957. Gains have been widespread in both durable and non-durable goods industries. Output in most lines of durable goods, however, has not yet recovered previous peaks, in contrast to output in many non-durable goods sectors, which has already achieved new highs.

The vigorous economic upturn since spring has been accompanied by increasing employment and a reduction in unemployment. Improvement here, however, has been less dramatic as rapid gains in productivity and a gradual rise in average hours worked—characteristic of economic recovery—have permitted broad increases in economic activity. The growing size of America's labor force has also been an element in the slow decline in unemployment. These factors, incidentally—productivity gains and normal increase in the labor force—are the underlying reasons why the economy must continue to expand at a substantial rate if it is to provide gainful employment for all who wish to work.

A review of 1958 economic events, no matter how brief, is hardly complete without reference to the record flow of net new savings into financial institutions. This has permitted the financing of the increased volume of new housing, as well as the record spending by state and local governments, and continued large corporate borrowing. As noted earlier, savings flows have risen

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*An address by Dr. Ensley before the National Association of Home Builders, Chicago, Jan. 20, 1959.

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BALANCE OF CONTRIBUTORS TO "Business and Finance Speaks After the Turn of the Year"

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Regular Features

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, January 22, 1959
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue—market quotation records, corporation news, bank clearings, state and city news, etc.).
Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613).

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $65.00 per year, in Dominion of Canada, $68.00 per year. Other Countries, $72.00 per year.

Other Publications

Bank and Quotation Record — Monthly $45.00 per year. (Foreign Postage extra.)
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Observations . . .

By A. WILFRED MAY

A VISITOR — AND HIS HOST!

"We declare war upon you—excuse me for using such an expression—in the peaceful field of trade."—Nikita S. Khrushchev in his interview with Messrs. Hearst, Considine, and Caniff, Nov. 23, 1957.

"Whether you like it or not, history is on our side. We will bury you."—Mr. Khrushchev at a party for Premier Gomulka of Poland, Nov. 18, 1956.

Surely recollection of such key statements of the Party Line must substantiate skepticism about the seriousness of Mr. Mikoyan's present pronouncements concerning his country's yearnings for *co-existence* in the trade along with the political areas. But, in line with the general impact of the high Kremlinite's visit, here, too, the remarkable feature is the performance of the host citizenry rather than that of the "distinguished tourist." Witness statements like these uttered not by him but by the U. S. industrialists in meeting with him in Cleveland.

A. Wilfred May

"Mutually profitable commerce would be a further and broader path to friendship. To enable such international trade will, of course, require changes by our Congress in restrictive legislation that now proves a serious barrier."

"People can be competitors and still get along together. Mutually profitable commerce would be a further and broader path to friendship."

And, "We try to think that we are different from other people. We say they are 'Communists,' and yet we are going in that direction at a tremendously rapid speed. There is also every indication that the Communists are going toward capitalism, at least to some extent. I do not believe there is much doubt but what before long the agreement between the two will be much closer than anything we have seen before."

Appeasement in the Good Old American Spirit

It is, of course, in the traditional American spirit to try to think the best of one's opponent, to turn the other cheek, to let bygones be bygones, to engage in wishful thinking—all adding up to recurring engagement in international appeasement.

Granted the public's never-failing and widespread addiction to "ogle" the glamor individual, from Van Cliburn to Marilyn Monroe—a proclivity accentuated in this instance by the intriguing vision of a man from Mars who dresses and walks like an ordinary mortal.

And the amenities of high protocol for this itinerant Bolshevik have prevented even-up repartee at public and semipublic meetings and interviews (at least up to the occasion of last Sunday's "Meet the Press" TV-Radio program), giving him unlimited time and space latitude, along with filibustering privileges, in answering questions—all immeasurably furthering his salesmanship and propaganda effectiveness, and enabling him to "sell" what the "Manchester Guardian" cites as a "brand image."

But none of this can excuse the unrealistic reactions exhibited by various strata of an hospitable American community. In addition to the instances we have already cited above, there is the petition of the 42 prominent citizens demanding that the United States end the cold war by agreeing to many of the major Soviet demands. And equally uncalled-for were the compliments from the Chicago lawyers' group on his candor.

The public as well as private utterances by these self-appointed U. S. diplomats and would-be negotiators, disseminated both here and in the Soviet Union, are performing a rank disservice in interfering with those of our high officials who are charged with the very expert duty of determining and maintaining the country's foreign policy. Fortunately Under Secretary of State for Economic Affairs Dillon and Secretary of Commerce Strauss know that the Soviets' long actual record shows as a complete illusion the chronic plea that revising the strategic materials list will bring about a satisfactory flow of East-West business. And overall, the true score has been inexorably made known to both of the nation's Chief Executives since World War II. Let not the President's crucial efforts to preserve the peace be further hindered by inept, however well-meant, actions of our growing horde of self-appointed diplomats—here now as well as "on mission" to Moscow.

Etherington, Stearns Appointed by NYSE

E. D. Etherington

John P. Stearns

Keith Funston, President of the New York Stock Exchange, has announced the appointment of Edwin D. Etherington as Vice President and John P. Stearns as Secretary of the Exchange.

Mr. Etherington was formerly Secretary. On April 1, he will assume new duties as Vice-President in charge of liaison with governmental agencies and other organizations. He will succeed John R. Haire who will leave the Exchange on March 31 to join Fundamental Investors, Inc., as Vice President.

Mr. Etherington joined the Exchange as Assistant Secretary in March 1956 and was appointed Secretary in Sept. that year. He is a graduate of Wesleyan University and Yale Law School. Before joining the Exchange, he practiced law with the Washington firm of Wilmer & Broun and also in New York with Milbank, Tweed, Hope and Hadley, counsel to the Exchange.

Mr. Stearns was formerly with the law firm of Chadbourne, Parke, Whiteside & Wolff in New York City. He attended Columbia High School in Maplewood, N. J., and is a graduate of Dartmouth College and Harvard Law School.

Mr. Etherington's responsibilities will include maintaining close liaison between the Exchange and such organizations as the Securities and Exchange Commission, the Federal Reserve Board, and various organizations in the securities industry.

Bachman Celebrating Sixty Years on Wall St.

On Jan. 16, 1899, when rugged individualism was at a peak in finance and industry, when curb market traders still received hand signaled orders from their clerks, perched on the window sills of the low buildings facing the open-air market, a fifteen-year-old boy, who claimed sixteen to get the job, went to work at $5 a week as a runner for J. & W. Seligman & Co., New York.

Herbert S. Bachman

Sixty years later, Herbert S. Bachman is still employed by J. & W. Seligman & Co. The firm's business has changed with the years and the name of Seligman is no longer to be found among the firm's partners. But, the fifteen-year-old of 1899 has remained through all these changes to pile up a unique service record.

Form Plymouth Planning

HEMPSTEAD, N. Y.—Plymouth Planning Corporation has been formed with offices at 320 Fulton Avenue to engage in a securities business.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

To meet the future's growing needs for more and better steels, and to keep ahead of the competition of other materials and other countries, iron and steel companies in the United States laid out $1.2 billion for new equipment and construction during 1958, according to American Iron and Steel Institute.

This raised the postwar total for such outlays to more than $11 billion (1946 to 1958 inclusive). Expenditures have equaled or exceeded $1 billion per year during six of the past eight years.

In addition, another large sum, estimated at over $1 billion is scheduled to be laid out during 1959, according to preliminary figures of the Institute.

The industry now has a record high steekmaking capacity totaling 147.6 million net tons of ingots and steel for castings annually. During 1958, the capacity went up nearly seven million net tons.

Heavy construction contract awards will reach $20.2 billion in 1959, highest volume since the boom year of 1956, predicts "Engineering News-Record," a McGraw-Hill publication.

This estimated 1959 contract volume is a 5% increase over 1958's $19.2 billion. In 1956, contract volume hit a $21.7 billion record and in 1957, dropped to $18 billion.

Booming public works brightening prospects for industrial building and a record $114 billion backlog of proposed work indicate 1959 will be the second best year in heavy construction contract volume.

Industrial building is now expected to show a 5% gain over 1958, instead of a 15% drop forecast in August. Reason for the change is a strong upturn in proposed industrial building during the final quarter of 1958, particularly in December. Further increases could push 1959 up even more than 5%.

In private mass housing, a 3% gain is expected, although prospects appear dim for the first half of this year. New legislation in the spring could pull awards up. But if this legislation consists primarily of added funds for the Federal National Mortgage Association, the results—like the results of last year's action —will be only temporary.

However, should the interest ceilings on government-backed mortgages be removed, mass housing would probably score a gain much greater than the 3% rise, the magazine states.

A further indication of a plumper market in heavy construction is the backlog of proposed work. A big spurt in private work and a substantial volume of new public works proposals combined to push the "Engineering News Record" backlog of heavy construction in planning to a record $114.2 billion as of Dec. 31. This is the fourth consecutive monthly increase in the magazine's backlog volume.

The total backlog is now more than $1 billion above its previous high in March, 1958, and nearly $3 billion higher than a year ago.

Moreover, contract awards for most major types of heavy construction are expected to rise above 1958 totals. New all-time highs are predicted for waterworks, sewerage, bridges and highways.

New Business Incorporations Up Sharply

The number of new business incorporations rose sharply in December to reach the highest level for any month on record, reports Dun & Bradstreet, Inc. This boosted the total for 1958 as a whole also to a peak level. The number of new concerns chartered in December was 16,446, up 36.0% over the 12,090 of the prior month, and 55.5% higher than the year ago 10,575. The December, 1958, total exceeded the previous record of 13,633 that occurred in October, 1958, by 20.6%.

The aggregate of new charters for 1958 as a whole came to 150,286, for an increase of 9.9% over the 136,697 of 1957. The 1958 level was 6.8% above the prior record of 140,775 of 1956.

Unemployment Claims Rise

There was a 15% rise in initial claims for unemployment insurance in the week ended Jan. 3, but a year-to-year decline of 15% prevailed. The week-to-week increase was due to seasonal post-Christmas layoffs in trade and labor cutbacks in the apparel, food processing, and construction industries. The most noticeable rises occurred in North Carolina, Connecticut, California, Texas and Pennsylvania.

The big buildup in steel buying is gathering steam, according to "The Iron Age," national metalworking weekly.

"Iron Age" said orders to some mills are pouring in at a rate faster than the mills are shipping. Thus, order backlogs are mounting. The mills are beginning to fear they will have heavy

Continued on page 68

In Memoriam

HAROLD RICHARD BRADY

The Fourth Estate—"But words are things, and a small drop of ink, falling, like dew, upon a thought, produces that which makes thousands, perhaps millions, think."—Byron.

Our office has been hushed as quiet as a church these past two weeks out of respect and veneration for our co-worker and friend, Harold R. Brady, who had been one of our editorial writers for years.

Harold Brady

Yes, without warning or previous indication, the bell tolled for our beloved friend after only a day's sudden illness January 14, 1959.

Forty years ago, as a young man, Harold R. Brady began his newspaper career with us as an office boy and by assiduous effort in all departments of the paper, worked his way up to become one of the *CHRONICLE*'s most dependable and versatile Editors.

In late years he has written the *CHRONICLE*'s "State of Trade" column and also was an Associate Editor of the "Bank & Quotation" Supplement.

Harold Richard Brady was a man of exemplary character, a staunch Roman Catholic, a lover of Peace and Human Understanding with all Mankind, whatever race, color or persuasion.

Mr. Brady's rectitude of mind and person was evident in all his writings. As a lifetime member of the Fourth Estate, Mr. Brady always wrote his articles with passionate fidelity to truth, preferring to state facts with moderation and exactitude rather than to overstate or over evaluate them for sensational or rhetorical newspaper effect. This studious and open-minded style became a life long habit with him, which he followed in all his thinking and convictions.

Clearly, the world can ill afford to suffer the loss of men of the sterling quality of which Mr. Brady was the personal embodiment.

In this, our parting farewell, we, his lifelong editorial co-workers, reverently and unanimously rise to our feet to bid Harold R. Brady Godspeed to his eternal reward—knowing full well that we do homage to the memory of a Christian gentleman, a patriotic American, a devout member of his Church and a faithful friend. (A. W., Jan. 17, 1959)

Business Outlook and the Stock Market in 1959

By LEE P. STACK*

General Partner, Paine, Webber, Jackson and Curtis, N. Y. C.

Mr. Stack's enumeration of 22 outlook observations leads him to conclude that more of them point to lower stock prices than to higher levels. The securities dealer adds, however, that continuing distrust of the dollar can make stocks go higher. Noting big shifts in investor confidence in stocks in terms of price-times-earnings ratio, observes that investor confidence is now two and one-half times higher than five years ago, one of the highest on record.

I

My subject is not an easy one, and since I lack the gift of prophecy I can only, in my humble way, present, as I see them, the forces having a bearing upon security prices in 1959.

L. P. Stack

We might, preliminarily, have a look at some of the handicaps under which our business is operating:

In 1800 our governmental bodies, Federal, State and local, took out of the economy in the form of taxes only 10% of the national income. In 1925, a century and a quarter later, government took only 8% of the national income. Now approximately 30% of our income goes to government.

How can we long stand against a shrewd enemy with that millstone about our neck? Russia does not tax to buy up a year's farm surplus for $6½ billion. Neither does it have to worry about interest on the national debt amounting to about $8 billion. These two items total more than the predicted deficit this fiscal year.

Do you realize that during the last 28 years our Federal Government has run a deficit in 23 of these years?

I represent no party; and there is no need blaming either party. Since 1925 the Republicans have been in control in Washington for 11 years and the Democrats for 22 years. Neither party has shown any will to arrest inflation; to reduce taxes; to halt the rising cost of living; nor to protect American industry from foreign invasion—and certainly this is a menace to American employment.

This year's deficit, standing alone, would not harm this nation noticeably. It is only the climax of 25 years of profligate spending. This habit is a cancer which seems to feed upon itself. Any effort to arrest it ends always in complete futility. We must excuse the defense program as necessary, but what about all the others? There are farm programs, foreign-aid programs, housing programs, veterans programs, the Social Security program and many others. They are continuous and involve commitments far into the future. Maybe they are all necessary, but can none of them be trimmed?

There is also this matter of relationship between wages and productivity. Last month, Prof. Slichter stated that productivity per man-hour has been slowing up. We all knew that but he gave some figures: In the five years 1947 to 1952 there was an increase of 17½%; but in the five years to 1957 the increase was only 9.4%. In the first period it averaged 3.5% per annum and during the last five years only 1.88%. Wage increases, on the other hand, averaged a shade over 5% yearly.

As a nation we cannot continue to spend what we do not have; nor can we have what we do not earn. These simple truths have been ignored now for 25 years.

We are experiencing a curious sort of inflation—it is mainly in wages and Treasury deficits; the latter having the effect of pouring money into the banking stream. Other ingredients are lacking. There is an excess of plant capacity in many of our industries, and goods are no longer in short supply. Foreign competition is beginning to hurt both as to volume and prices; and this constant threat should prevent our price levels getting completely out of hand. The tremendous rise in private debt in recent years can hardly be repeated.

II

Effect of Tax Laws and Inflation

Any discussion of interest-bearing securities, bonds, notes and mortgages, must take account of Treasury deficits and wage increases without compensating productivity. Also, we must think of our tax laws.

With government deficits becoming a way of life; with nearly half of our marketable government issues maturing within one year, the Treasury is faced with one debt refunding after another.

If manufactured goods continue to rise in price because wages are rising faster than productivity, lenders of money will become increasingly fearful of being repaid with dollars of less value than those lent. It's harsh to say, but there is now some flight from the dollar.

Under such circumstances, is it not logical to expect people and corporations to borrow if their credit justifies? If lenders become scarcer and borrowers continue plentiful then the United States Treasury is going to meet stiff competition as it asks for increasing sums of money.

Borrowing is made attractive to corporations under our present tax rates. If one can borrow at 5%, then that money is costing stockholders less than 2½% because of the 52% corporate income tax. For the same reason, if a corporation sells preferred stock at 6% then the cost to its common stockholder is more than 12%.

Lending institutions feel no obligation to furnish money to our spendthrift Government at rates lower than available elsewhere. During war it is a duty, but not now. Look at France: Even with some improvement in government, interest rates are running from 8% to 10%.

So, in thinking of interest rates during the rest of 1959, I simply can't see how we can expect to get our house sufficiently in order to expect lower rates in so short a time. It could transpire that funds

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*An address by Mr. Stack before the Business Outlook Conference of the Los Angeles Chamber of Commerce, Los Angeles, Calif., Jan. 13, 1959.

Some Aspects of Economic Growth and Public Policy

By DR. GABRIEL HAUGE*
Chairman, Finance Committee,
Manufacturers Trust Company, New York City, and
Former Economic Adviser to President Eisenhower

In declaring we are on the threshold of a "half-trillion dollar economy" and a 4% annual growth rate is within our group, Dr. Hauge asks whether this prospective expansion is to be in real terms or the distension of inflation. Denying inflation is germaine to growth, he importunes business to communicate the facts about inflation's consequences to the public and contends that a wider understanding of the economic issues by millions of Americans "would make a difference." He fully endorses the President's budget as fiscally sound, economically valid, and essential to economic growth *via* the private sector.

We can play a significant part in the taking of certain economic decisions that lie before us as a nation in 1959. Fortunately, these decisions are not the sort that would face us in a declining economy. Rather, they relate to issues—no less stubborn in their way—arising from the process of economic growth. In immediate terms we are rebounding vigorously from the 1958 recession. In a longer range sense, we are at the start of a new and dramatic era of research and development, of production technology and of the wider use of goods by a population already so well provided that a third of its expenditures falls within what has been called "optional consumption."

Dr. Gabriel Hauge

We stand on the threshold of a "half-trillion dollar economy." That is something that no people—or its leaders—have ever been held accountable for in the history of the world.

We also stand at the threshold of decision as to how best to achieve this prospective expansion of the economy and as to whether it is to be in real terms or, in large part, the distension of inflation.

As you all know, a considerable controversy is developing in Washington as to what emphasis economic policy this year should place on increasing the rate of expansion on the one hand and on achieving greater stability of prices on the other. This debate will doubtless continue not only through 1959, but for some years to come, regardless of which individuals or parties are controlling. If you don't know where you are going, of course, any road will take you there. We should be able to make better progress toward a decision in these matters if we ask ourselves certain questions about growth in our economy.

(1) What is a desirable and attainable growth rate for the economy as a whole?

(2) Where do we want this growth to take place — mainly in the private sector of the economy or in the activities of government?

(3) How can we act so that economic growth is healthy, hence steadier, in terms of a stable dollar?

Each of these questions is a far-ranging one, and cannot be fully answered in one paper. Nevertheless, some aspects can be considered. Maybe a spark or two can be struck. Perhaps an impulse to action can be generated.

*An address by Dr. Hauge before The Economic Club of New York, New York City, Jan. 14, 1959.

I

First, consider the rate of economic growth. The subject has attracted much discussion and inquiry recently, as you know. This is good. It is quite wrong to believe that economic growth in a free society proceeds quite independently of what we as a people do or fail to do about it. By the same token, it should be pointed out that economic growth is a fundamental thing that is not conjured up by elaborate arithmetic and by placing a tap on the public fisc.

As we look ahead to the future of the economy, the most important characteristic is truly its growth potential. I speak now, not of growth in the special sense of making up depression and wartime shortages and losses, but growth that can—if we prudently manage our affairs—represent a massive deepening and broadening of our economic base. From that base we can launch new efforts to insure our security, foster strength in the Free World, improve the level of family living, rebuild our urban slums and eroded farm areas, better our educational opportunities and penetrate some of the mysteries that lie beyond our planet.

We have gone ahead as a nation in this business of supplying daily bread — and more — because we have been critical of ourselves. We have always sought to do better. But sometimes I think we err in denigrating our economic growth record which over the past decade, for example, has averaged about 3.6% annually. This has been compared adversely with a reported rate of twice that in the Soviet Union, to take a case in point. It is not my purpose to speak of the bases of such a comparison, but we should remember that growth rates are related to stages of economic development. Actually, statistics indicate that the United States' economy experienced at an earlier stage of its development, from 1880 to 1920, a growth rate about double that of the last decade. We have always been proud of this period as marking a transition from a frontier economy to that of a great industrial power. But it is perhaps more remarkable that our economy has continued to show a growth that is substantial in percentage terms — and, of course, larger than ever in absolute terms —for these several decades since we approached industrial adulthood.

Moreover, exciting years lie ahead. Under our system of private incentives, new frontiers have continued to emerge in science and technology and in new ways of family living. With the current expenditure of over $10 billion yearly on scientific research and development plus population growth and provision at all levels of government for needed public facilities, we have every reason to expect the economy to move ahead briskly in the coming decades. And we have the further expectation that in this economic growth, we shall have a richness and diversity of goods and services unmatched by our own or any nation's experience.

It is the unique prospect of the United States of America that our economy can now allocate a large and increasing share of its future growth for the attainment of ends above and beyond the provision of ordinary daily needs of its people.

Questions High Forecasts

Having said this, I must admit that I find it difficult to accept some of the extremely high forecasts of economic growth that have been lately propounded — especially by those politically-inclined who seem intent on spending the fiscal fruits of growth before they are actually achieved. We hear from these quarters the argument that to insure a high rate of growth it is necessary first to achieve a high rate of public expenditures.

In practice these proposals usually boil down to an emphasis on more public spending. They are reminiscent of the theory propounded by the pessimists of the 1930s that our private economy was plagued with a malady called "secular stagnation" and that it could only be sustained by vast public investment. History discredited this theory. Public expenditures then undertaken produced no growth rate to cheer about. Only the advent of war saved that false doctrine from complete and open repudiation. On the record, it is extremely difficult to support. It merits the attention today of no one except its intellectual prisoners.

My own view is this: It is entirely reasonable to believe that the economy can continue to grow at least as fast as in the past decade. Considering the vast improvements in technology and in our stock of capital, it probably can grow somewhat faster. We can enhance those prospects by changes in our fiscal system which spur investment in modernized equipment and new processes. In this regard, it has been well observed that our future progress depends, not on producing more for more, but on producing more for less. We can spur growth, too, by keeping competition healthy and resisting monopoly power wherever it exerts itself corrosively in our economy.

An annual growth rate in the vicinity of 4% seems well within our grasp. This would very soon mean an additional $20 billion of goods and services a year — and more as time went on. That would be sufficient to make sure of our defenses, provide resources through various channels to help the efforts of other peoples in their economic development, provide for requisite public facilities at home and still provide a million new families with a completely furnished home or with an equivalent amount of new products that are not yet on the market. When we multiply this by 10 or 20 years, it is obvious that reasonable but attainable rates of growth in terms of our experience will yield the resources to make striding progress in the American way of life and in strengthening the foundations of the Free World within which to live out our lives in peace and achievement with our neighbors.

II

Source of Economic Growth

Consider now the second question raised at the beginning of this discussion: Where do we want this new growth to take place—primarily in the public sector or in the private sector of the economy?

Even though the current upturn in business may be characterized as the most competitive recovery of the postwar period and even though the lull in inflationary pressure on prices that we now

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Our Economy of the Future

By PAUL M. MAZUR*
Senior Partner, Lehman Brothers

Banker economist maintains U. S. alone can both maintain world's greatest defense establishment and raise living standards. Expects distribution and consumption to play even more significant role, as prerequisite to improved mass production. Hence, hails retailing as fundamental activity in the economy.

In any conjecture that relates to any phase of our economic future, it is necessary to assume that we will escape World War III and that man will avoid the apparently lively temptation to destroy man.

Paul Mazur

It is difficult to quarterback our national team either in defense or the dangerous game of statescraft. The facts and knowledge available to most of us are totally inadequate. However, so long as we deal in matters economic, we can remain in the happy mental state of non-provable conclusions. Therefore, it is possible to make "incontrovertible" statements—because they can be neither proved nor disproved. With confidence derived from such a condition, it becomes possible for me to state as such an "incontrovertible" conclusion the tenet that the U. S. alone among all the nations can build the greatest and most modern defense mechanism on earth, and continue to rebuild it, and at the same time maintain and even improve the standards of living of our citizens.

Have the Guns and Butter

We alone can have guns and butter in adequate amounts.

The improvement in our standards of living will, of course, move more slowly than if we could devote all of our efforts and all of our capacity to peacetime products and services. But even with an increasing level of defense expenditures equivalent to that which the Rockefeller Fund Report recommended, it is my own opinion that our living standard could be improved — and this phenomenon should be possible *without* the consequence of any inflationary surge born of *scarcities*.

As important as distribution and consumption have been in our economy in the past, they give promise of playing a much more significant role in the future. The pressures for increased production are continuously building up —stimulated as they are by many causes. The needs of a growing population and a continuously larger defense program have as probable consequence not only increased capacities but increased wages as well; and the alternatives offered by increased wages are either higher prices or sufficiently greater productivity to offset these wage increments.

Improving productivity is of course the result of more effective methods of production. And the requirement of present and improved methods of mass production is the maintenance and growth of huge volumes of sales. Inadequate sales express themselves in either high costs because of inefficient use of expanded productive capacities or in the accumulation of inventories until they choke the economy and start the dangerous spiral of deflation.

For many reasons, it seems indeed likely that with each passing year our production mechanism should and will pour into the economy a larger and larger stream of goods; and these goods must be consumed as fast as they are produced, or soon their production will stop.

Responsibility of Retailing

Retailing will have the responsibility and the task of continuously moving into consumption the goods we will produce—distributing more and more products to more and more people possessing a higher and higher standard of living.

It is an essential role that the department store fills in the American economy, in the American community—and in the routines of the daily living of the average woman. The department store has assumed increased importance as a contributor of wider horizons outside the homes. It offers the products of a thousand arts and industries, of a hundred nations. The department store offers not only goods and services, but often social contacts and education for better living. It gives a glimpse of the dimensions beyond the limits of city or town —and its wares contain utility, desirability, and glamour.

Whatever are the goods which may result from the skills of future production and tomorrow's ingenuity in research, many of them will be made available to consumers across the counters and from the shelves of the retailer. Products will grow old and obsolete and may even die — but the stream of the new, the needed, and the desirable will maintain its force and pour its torrent from store to home.

To paraphrase President Conant of Harvard, retailing may be the newest of sciences, but it is among the oldest of arts. It is truly a fundamental activity in the economy. But, although the fundamentals of retailing may never change in their basic elements, the methods by which they are maintained vigorous, effective, and highly competitive in a changing world must be modern, aggressive, and progressive. And, of course, I would not be loyal to my own industrial and commercial idol, if I did not emphasize my conviction that in order to be modern, aggressive, and progressive, retailing must adopt wholeheartedly and maintain steadfastly a program of constructive and intensive research.

I live in the conviction that in our American Economy the chief contributor to the maintenance of prosperity lies in distribution and in the development of better and better methods and means of distribution; and I am convinced that within retail distribution, the departmental store still represents the best mechanism yet devised.

May I say again that although I am certain that I am not entitled to the recognition accorded to me, I am happy to substitute for my own judgment your measurements of my merit.

To Mrs. Tobe Coller Davis, who gave the Tobe Award, the "Oscar of Retailing," I offer my congratulations for the esteem in which she is so deservedly held by those who at the same time are her clients, her friends, and her admirers.

As for me, I admire both her, who is one of a kind, and you, who are her friends.

*A talk by Mr. Mazur in accepting the annual Tobe Award, New York City, Jan. 14, 1959.

Molybdenum Corporation and Its Romantic Metals

By DR. IRA U. COBLEIGH

Enterprise Economist

A current look at a company recently spotlighted for its activity in important alloys for our high speed, high temperature age

The stock market devotes most of its time to establishing relationships between earnings power and the market price of shares. This earning power is essentially of two kinds, past and future. (The present doesn't stay around long enough to get counted). So it is, that a fine oil or a fine industrial stock may sell at 20 times earnings or possibly more, out of respect for a long record for stability of earnings and dividend payments, while some romantic stock such as a pharmaceutical or an eager transistor company, may sell at 40 to 45 times current earnings because of some extraordinary conjectures about the brightness of its future. It is in the second category that the shares of Molybdenum Corporation of America fall. This stock has sold, and sells today, on romance; but the romance now seems to be getting closer to reality.

Ira U. Cobleigh

What are some of the things about MLY which have caused it to gyrate between 16 and 42½ within the last 13 months? Briefly they are threefold. Molybdenum Corp. has a major position in three types of materials which have been gaining strategic importance in mineralogy. The first of these is molybdenum.

Molybdenum has been, for some years, an important alloy metal especially in the toughening of steel. Molybdenum Corp. is the second largest American processor of molybdenum and is a leading producer of tungsten as well. These two metals have, for some time, accounted for about 85% of company profits. New impetus to molybdenum was given only last week, however, when the U. S. Bureau of Mines produced at Albany, Oregon, a sample cylindrical molybdenum casting for the first time. Since molybdenum melts at 4748 degree Fahrenheit, the cast metal now assumes real importance in the design and production of a series of parts vital to our missile development program. The company has been purchasing its concentrates mainly from Kennecott Copper Corp. but is believed to have one of the largest molybdenum ore bodies in the world on its Questa, New Mexico properties.

The second string to the MLY bow is rare earths. Mr. Marx Hirsch, President, defines these as "a mixture of 15 metals which occur together in nature, the most common of these being cerium and lanthanum." After dabbling in these exotic items since 1916, MLY came up, in 1951, with a golden store of the stuff at Mountain Pass, Calif. Here the company's property is believed to contain the largest rare earths ore reserves anywhere—at least two million tons of bastnasite ore assaying 10% in rare earths. All very well you say, but what are the uses of rare earths? Well they are an indispensable element (Misch metal) in the flint in your cigarette lighter. Rare earth compounds, are a valuable additive to steel increasing workability and fluidity, and reducing the sulphur content. They are useful in stainless steels and are also applied in production of lower priced alloy and carbon steels. Rare earths have also been indicated as useful in the shielding of atomic engines.

Another exciting metal of the future, in which MLY has a major interest, is columbium. Quite recently the steel industry was alerted to a significant technological break-through when Great Lakes Steel Co. (a subsidiary of National Steel) announced its new high-strength steel, GLX-W using ferrocolumbium, supplied by Molybdenum Corp. as a key alloying ingredient. About this, Mr. W. D. MacDonnell, President of Great Lakes Steel said: "The new steels are regarded as an important metallurgical advance because they make available, on a volume production basis, superior qualities of strength, toughness and weldability previously only obtainable in higher priced steels." Small quantities of columbium added produce mild carbon steels with double the strength of ordinary carbon steel, and a substantial strength to weight advantage. In practical applications this new GLX-W steel is useful in pressure vessels, earth movers, heavy road and construction machinery, car, truck, and bus frames.

Columbium, also alloyed with steel, may prove useful in resisting the high temperatures in jet engines.

On the supply side, Molybdenum Corp. shares with Kennecott Copper Corp. ownership in probably the largest known columbium deposits in the world at Oka, Quebec, 43 miles from Montreal. MLY owns 44% (Kennecott owns 46%) of Quebec Columbium Ltd. with indicated reserves estimated at over 15 million tons assaying, on the average .5% columbium and .025% tantalum. In addition, MLY owns another large scale deposit of columbium in South America.

Now in regard to both columbium and rare earths it doesn't take much to provide the necessary alloy elements for special steels. Maybe a couple of pounds to the ton. But envisioning the broader acceptance and utility of these materials in more and more varieties of steel, sales of millions of pounds a year are a definite future possibility. These exotic elements may now be in an early phase comparable to that of nickel or aluminum 30 years ago. They do offer unique qualities and a considerable profit potential to Molybdenum Corp. if they live up to their billing. Up to now, however, molybdenum and tungsten have supplied the bread and butter.

By the analyst, MLY common must be considered from an unusual point of view. If you are to call MLY a "growth" stock you find little documentation in total sales, which averaged about $21.5 million annually for the eight years 1950-57. Net earnings, too, have been nothing spectacular, never rising above 84 cents per share in the past 10 years, and amounting to 51 cents a share for 1957. Dividends, however, have been paid without interruption since 1940. For 1958 the cash dividend was 30 cents a share plus 1% in stock. There was a 10% stock dividend in 1951 and a 2-for-1 split in 1955.

Here then we perceive in MLY a stock which, by reference to normal criteria of evaluation is selling far too high. At 42 this stock presents a fantastic price/earnings ratio and a large premium over book value of $9 per share. (Cash position, however, is excellent with over $8½ million in net working capital.) Obviously we should discern in the current interest and sprightly market action in these shares, considerable optimum about the future of columbium and rare earths. If these are, indeed, the coming metals of the high temperature, high speed age in which we live, and if really broad markets open up for them, then major earning power for Molybdenum Corp., long predicted and anticipated, may materialize. The management is competent, the ore bodies rich and extensive, and the research, patient and intensive. Many companies which have waited so long for their dreams to come true have gone broke doing it. Not so with MLY. Financial position was stabilized in 1957 by sale of 176,426 shares bringing $3.7 million into the treasury. There are outstanding 1,570,950 common shares listed on the American Stock Exchange, and 176,462 warrants to purchase 1 and 1/100 shares through Oct. 18, 1963 at $29.70 per share. These warrants are currently selling at around 27.

Molybdenum common makes no appeal whatever to the buyer for income, nor to those who set great store on long records of rising gross and net earnings. For the intrepid speculator, the romantic and the imaginative, however, MLY may well prove an exciting and volatile market medium. If it were to earn $10 a share imagine where it could sell!

FNMA to Sell Debs.

The Federal National Mortgage Association will offer on or about Tuesday, Jan. 27, 1959, $100 million of 1⅛ year 4% secondary market operations debentures and $100 million of eight-month debentures, both issues non-callable, dated and deliverable Feb. 10, 1959. Rate of short maturity and price of long maturity to be announced on or about the morning of Jan. 27, 1959.

The net proceeds of this offering will be used to redeem the $150,000,000 of secondary market operations, series SM-1959-A 3% debentures which mature Feb 10, 1959, and to repay borrowings from the U. S. Treasury used to finance the secondary market operations.

Buhl & Crane V-Ps of McDonnell & Co. Inc.

C. Henry Buhl III and C. Lyman Crane have been elected vice presidents of McDonnell & Co., Incorporated, 120 Broadway, New York City, members of the New York Stock Exchange.

Granbery, Marache to Admit Three to Firm

Granbery, Marache & Co., 67 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 2nd will admit Ernest T. Greeff, Herbert W. Marache, Jr., and J. Sheafe Satterthwaite, Jr., to partnership.

James P. Stewart Joins Townsend, Dabney Firm

(Special to THE FINANCIAL CHRONICLE)

BANGOR, Maine — James P. Stewart has become associated with Townsend, Dabney & Tyson, 6 State Street. Mr. Stewart formerly for many years conducted his own investment business in Bangor.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter No. 44—Discussion of projects for nuclear propulsion of rockets and earth satellites with particular comments on **Tracerlab, Inc.** and **Combustion Engineering**—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Automobile Producers—Survey—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Burnham View — Monthly Investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter**.

Closed End Funds — Survey of **Adams Express Co., Lehman Corporation, National Aviation Corporation, National Shares Corporation, Tri Continental Corporation** and **U. S. & Foreign Securities Corp.**—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Copper—Report—J. R. Williston & Beane, 115 Broadway, New York 6, N. Y. Also available is an analysis of **H. L. Green Co., Inc.**

European Common Market—Folder containing a time table and other data—Manufacturers Trust Company, Advertising Department, 44 Wall Street, New York 15, N. Y.

Federal Stock Transfer Tax—Effective Jan. 1, 1959—Bulletin—H. Cassel & Co., 61 Broadway, New York 6, N. Y.

Foreign External & Internal Securities—1958 year-end prices—New York Hanseatic Corporation, 120 Broadway, New York 5, New York.

Indian Joint Stock Companies — Review — Harkisondass Lukhmidass, 5 Hamam Street, Bombay, India. Also available is an review of **Oil Refineries in 1957, Jessop & Co., Delhi Cloth & General Mills** and **Tata Chemicals.**

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Market Review For 1958—Circular—Calvin Bullock Ltd., 1 Wall Street, New York 5, N. Y.

Natural Gas Industry—Investment review—Reynolds & Co., Dept. CF-1 (Att. Richard S. Graham), 120 Broadway, New York 5, N. Y.

New Orleans Bank Stocks—Comparative tabulation—Scharff & Jones, Incorporated, 219 Carondelet Street, New Orleans 12, La.

New York City Bank Stocks—Analysis—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y.

New York City Bank Stocks—Year-end comparison and analysis of 13 New York City bank stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Nova Scotia—Report on province outlining natural resources and industrial development potential — Canadian Pacific Railway Company, Department of Industrial Development, Montreal, Que., Canada.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 20-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Petroleum Situation — Review — Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

Preferred Stock Offerings—Compilation of issues marketed in 1958—Eastman Dillon, Union Securities & Co., 15 Broad Street, New York 5, N. Y.

Shipbuilding Industry in Japan—Survey—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue of the Nomura Monthly Stock Digest are data on **Toyota Motor** and **Mitsubishi Shoji**, and a review of the Japanese economy.

Sulphur Industry—Survey—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available are a report on **Philips Lamps Works** and the current market review with lists of companies which could earn and pay more in 1959, which are candidates for stock splits, and a suggested portfolio.

Treasure Chest in the Growing West—Booklet describing industrial opportunities in area served—Utah Power & Light Co., Dept. K., Box 899, Salt Lake City 10, Utah.

U. S. Banks—Comparative figures on the 15 largest banks in the United States—Bankers Trust Company, 16 Wall Street, New York 15, N. Y.

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Abitibi Power & Paper Company—Analysis—McLeod, Young, Weir & Company, 50 King Street, West, Toronto, Ont., Canada.

Air Products Incorporated — Review — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Air Reduction—Data—Dreyfus & Company, 50 Broadway, New York 4, N. Y. Also in the same circular are data on **Campbell Red Lake Mines** and **Delta Air Lines.**

Allied Chemical—Data—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are data on **American Metal Climax Inc., Mueller Brass** and **United States Lines.**

Arkansas Louisiana Gas Company—Analysis—Schweickart & Co., 29 Broadway, New York 6, N. Y.

Badger Paint & Harware Stores, Inc. — Report — Milwaukee Company, 207 East Michigan Avenue, Milwaukee 2, Wis. Also available is a report on **Wisconsin Power & Light Co.**

C. I. T. Financial Corp.—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same circular are data on **Chesapeake & Ohio.**

Dayton Rubber Company—Analysis—Parrish & Co., 40 Wall Street, New York 5, N. Y.

Dixon Chemical Industries, Inc. — Report — Hardy & Co., 30 Broad Street, New York 4, N. Y. Also available is a brief report on **International Shoe.**

Hooker Chemical Corporation — Annual report — Hooker Chemical Corporation, Secretary, 26 Forty-seventh Street, Niagara Falls, N. Y.

Interstate Engineering Corporation—Analysis—P. W. Brooks & Co., 115 Broadway, New York 6, N. Y.

S. S. Kresge Company—Study—Kenower, MacArthur & Co., Ford Building, Detroit 26, Mich.

Lockheed Aircraft — Analysis — Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Michigan Seamless Tube Company—Analysis—R. C. O'Donnell & Company, Penobscot Building, Detroit 26, Mich.

National Distillers & Chemical Corp.—Memorandum—William Norton Company, 9 Maiden Lane, New York 38, N. Y.

New England Electric System—Analysis—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same bulletin is a brief analysis of **Kelsey Hayes Co.** and a list of "quarter century" dividend payers.

Nortex Oil & Gas Corp.—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Pittsburgh Steel Company—Review—Purcell & Co., 50 Broadway, New York 4, N. Y. Also in the same circular are data on **Flintkote Co.** and **Baltimore & Ohio Railroad Co.**

River Brand Rice Mills Inc.—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Ruberoid Co. — Memorandum — Shearson, Hammill & Co., 44 Wall Street, New York 5, N. Y. Also available is an analysis for the **Oil Outlook for 1959.**

Silver Market in 1958—Review—Handy & Harman, 82 Fulton Street, New York 38, N. Y.

Studebaker-Packard vs. Botany Mills—Report—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

United States Plywood—Report—Bache & Co., 36 Wall Street, New York 5, N. Y.

Donald MacGregor Now With Hill, Darlington

Donald MacGregor has become associated with Hill, Darlington & Co., 40 Wall Street, New York City, members of the New York Stock Exchange and associate members of the American Stock Exchange, and will manage the firm's research department. He was formerly senior analyst at the member firm of Jacques Coe & Co.

Mr. MacGregor has had extensive experience in the securities field, having been associated with both Standard & Poor's Corp. and Fitch Publishing Co.

Clarence A. Ray Opens

(Special to THE FINANCIAL CHRONICLE)

BAKERSFIELD, Calif.—Clarence A. Ray is conducting a securities business from offices at 1508 Eighteenth Street.

H. M. Schreck Opens

BROOKLYN, N. Y.—Harry M. Schreck is conducting a securities business from offices at 150 East 19th Street.

Opens Inv. Office

BAYSIDE, N. Y.—Ella B. Crawford is conducting a securities business from offices at 28-29—209th Place.

First Boston-Dean Witter Group Offers So. Calif. Edison Common Stock

The First Boston Corp. and Dean Witter & Co. headed a nation-wide group that offered publicly on Jan. 20 an issue of 500,000 shares of Southern California Edison Co. common stock (par $25) at $60 per share.

The net proceeds from the sale will be used by the company in part to retire any outstanding short-term bank loans incurred for construction, and the balance will become treasury funds for use in the company's continuing construction program. It is presently expected that gross plant additions for the years 1958-59 will total approximately $273,257,000.

The company has paid dividends on its common stock in each year since its incorporation in 1909. On Dec. 18, 1958, the directors declared an increased quarterly dividend of 65 cents per share, payable on Jan. 31, 1959 to stockholders of record on Jan. 5, 1959.

Southern California Edison is a public utility company which supplies electric energy in portions of central and southern California, excluding the City of Los Angeles and certain other cities. Customers served by the company totaled 1,489,520 on Oct. 31, 1958.

For the 12 months ended Oct. 31, 1958, total operating revenues amounted to $249,243,000 and net income to $39,425,000, compared with $217,135,000 and $31,986,000 for the calendar year 1957.

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc. and associates are offering today (Jan. 22) an issue of $20,000,000 Indiana & Michigan Electric Co. first mortgage bonds, 4¾% series, due Nov. 1, 1988 at 102.411% and accrued interest, to yield approximately 4.60%. The group won award of the issue at competitive sale yesterday (Jan. 21) on a bid of 101.67%.

Net proceeds from the financing, together with other funds, will be used by the company for the prepayment of outstanding bank notes, issued for construction purposes, and the balance will be used to pay extensions, additions and improvements to the company's properties. The cost of the construction program for the final half of 1958 is estimated at around $35,300,000.

The bonds will be redeemable at regular redemption prices ranging from 101.17% to par, and at special redemption prices receding from 102.43% to par, plus accrued interest in each case.

Indiana & Michigan Electric Co., a subsidiary of American Electric Power Co., Inc., is engaged in the generation, purchase, transmission and sale of electric energy to the public and the supplying of electricity at wholesale to other electric utility companies and municipalities in Indiana and southwestern Michigan. The company serves 163 communities in an area having an estimated population of 1,245,000.

For the 12 months ended June 30, 1958 the company had operating revenues of $65,792,881 and net income of $10,187,940.

Form Barclay Securities

HEWLETT, N. Y.—Barclay Securities Corporation has been formed with offices at 235 Everett Avenue to engage in a securities business.

Maintaining Economic Growth Stability and Stable Prices

By BERYL W. SPRINKEL*
Economist, Harris Trust and Savings Bank, Chicago, Ill.

Chicago bank economist delineates the role of government as to economic growth, stability and prices and, in so doing, assays claims as to where the blame reposes for inflation. Recommends removal of various monopoly and government barriers to labor and capital mobility and endorses flexible monetary policy in conjunction with a stabilizing budget as antidote to inflation.

The basic economic question facing the nation is "Can we maintain full employment, promote growth and simultaneously achieve stable prices?" Other papers demonstrate rather clearly that historical evidence **does not** create a presumption of inconsistency between economic growth and stable prices. Economic growth depends fundamentally upon increasing capital and labor resources available for production and more efficient utilization of these resources. In the United States savings-investment decisions are made by all spending units operating through the capital markets. In a competitive, consumer-oriented economy such as ours, where strong growth forces are evident, it appears undesirable for the Federal Government to make the bulk or even an increasing share of investment decisions.


Dr. B. W. Sprinkel

However, government policy has an important role to play in assuring **more efficient use** of resources. The effect of monopoly power in either unions or industry is to discourage employment and production in the monopoly areas. The government problem in the monopoly area is not primarily one of preventing inflation, but rather one of encouraging maximum growth by promoting maximum output from the inputs of labor and capital. Greater efforts directed toward the identification of areas of monopoly power in labor as well as industry and the limitation of these powers by government controls would yield fruitful results. Unfortunately, as pointed out by Rees and others, many government programs discourage the efficient use of resources by creating artificial barriers to the flow of labor and capital.

Some observers contend there is an inconsistency in the dual objectives of full employment and price stability. If full employment is interpreted to mean unemployment of less than the "normal frictional" amount of perhaps 4% to 5%, inflation may well be unavoidable. The experience of the past seven years suggests that approximate full employment and approximate price stability are feasible if policies designed to limit growth in demand to real growth in the economy are adopted.

Blame for Inflation

At present there is too much effort on the part of various groups to place the blame for inflation on others. There is a real danger that such efforts will deflect attention from the more fundamental cause. Some labor unions assert rising business profits are the cause of inflation, while some businessmen maintain wage increases are really the prime mover. Careful studies of history in this and other countries demonstrate rather clearly that the source of all significant inflations has been excessive monetary demands for goods, services, and labor with respect to productive capacity. It is generally admitted that excessive monetary demand was the cause of the early post World War II inflation and the Korean inflation, but other views are frequently expressed as to the cause of the modest and apparently short-lived price increases of 1956-1957. A careful review of price trends during this period establishes that the bulk of price increases were concentrated in services where unionization is weak, finished producers' goods where the investment boom could have caused the old-fashioned inflation, and finally, foods, where special factors such as the livestock cycles, droughts and floods caused upward pressures. Even though, under special circumstances (namely, excess demand for goods, services and hence, labor), wage and profit increases can create upward price pressures, it is quite clear these pressures cannot be sustained in the absence of rising final demands. Consequently, it becomes critically important that stabilizing monetary-fiscal policies be followed in order to prevent excessive demands.

Good Record Since 1951

Since the adoption of a flexible monetary policy in 1951, the record of our economy in achieving price stabilization has been far superior to results in the early postwar period or the average record of the last half century. Approximate full employment has been maintained since 1951 with the exception of a few months during the 1953-1954 and the 1957-1958 recessions. Furthermore, there is reason to believe that our indices are biased upward due primarily to inadequate adjustment for quality improvement in goods and services produced. Also, it appears highly probable that actual prices are much more flexible over the business cycles than are prices reported by the various indices. **Increased research activities** designed to improve our present price indexes might well yield superior price information for policymakers.

Although concern over current inflation dangers appears to be unduly high, this does not mean we should ignore the danger of long-run inflation. The Employment Act and the philosophies of both major political parties fortunately provide considerable assurance that prolonged depressions will not be permitted to develop. Yet, it was only in periods of prolonged depressions that prices declined significantly in this century. This probably means that, in effect, we have placed a **floor** under the general price level. Therefore, we must also establish a **lid** on the general price level if we are to prevent long-run inflation. This does not mean that prices of particular goods should be fixed, for it is only through fluctuations in relative prices that a growing economy can respond to the changing demands placed upon it. Those that argue for government investigation and regulation of price and wage changes, such as Professors Ackley, Lerner and others, would place a strait jacket on the American economy thereby severely limiting resource adjustments to changing market conditions. Government regulation of particular prices and wages, either direct or indirect, is tantamount to bringing a centrally directed economy in the back door. Such a program would also discourage flexibility in prices over the business cycle. It would be indeed unfortunate if our concern over maintaining price stability resulted in more, rather than less, government intervention in the pricing process.

Amend the Employment Act of 1946

Amendment of the Employment Act of 1946 to include **price stabilization** as a policy goal of equal (but not greater) importance as maximum employment and production would have a beneficial effect on private anticipations and would provide explicit guidance to policymakers. There is currently considerable doubt among economists as well as the general public as to whether the Act includes an anti-inflation plank. This ambiguity should be removed.

It is absolutely critical in any successful program for containing inflation that monetary policy and our Federal budget be designed to promote growth in total demands only so fast as our real economy grows. As indicated by Friedman. "There is perhaps no empirical regularity among economic data that is based on so much evidence for so wide a range of circumstances as the connection between substantial changes in the stock of money and the level of prices." The Federal Reserve System has the power to control the stock of money through its monetary policy actions. In the main, these policies since 1951 have been of a stabilizing nature. Yet, strong political pressures are now developing for eliminating the power of the Federal Reserve to restrict credit when inflationary pressures exist. If a flexible money policy is abandoned, we may as well abandon all hope of preventing substantial long-run inflation. Even though it is desirable that monetary policy and the Federal budget exert a stimulating force during periods of recession, it is equally necessary that a tighter monetary policy and a budget surplus develop during periods of relatively full employment when inflationary pressures are reasserted. Unfortunately, the continuing pressure for more and more spending at the Federal level makes achievement of budget surpluses difficult but nonetheless desirable.

In summary, **the Employment Act should be amended** to include the goal of price stabilization as an equally important objective of government as the current goals of maximum employment and production. **Removal of various monopoly and government imposed barriers** to labor and capital movements from less efficient to more efficient lines would make a considerable contribution toward the goal of encouraging growth. Finally, the careful **execution of a flexible monetary policy** combined with a **stabilizing budget** provides the greatest assurance against significant long-run inflation.

*Testimony presented to the Joint Economic Committee of the United States Congress, Washington, D. C.

Form Suburban Investors

UNIONDALE, N. Y.—Suburban Investers Corporation has been formed with offices at 374 Uniondale Avenue to engage in a securities business. Officers are Carl R. Klemenger, President and Frank Aragona, Secretary and Treasurer. Both were formerly with First Investors Corporation.

Freer Trade and United States Competition for Its Share

By ELIZABETH ELLSWORTH COOK*
Publicity Manager, Hemphill, Noyes & Co., New York City

The latest trade, monetary and other developments in Western Europe, and their effect upon the United States, are ticked off by Miss Cook. She takes note of the increased manufacturing of American firms taking place abroad, to circumvent high cost of production here; explains how these American firms may benefit from the Common Market and convertibility of European currencies; envisions keener international trade competition and hopes that it will help keep our prices competitive; and predicts free nations will enjoy a greater volume of foreign trade within which we can compete for our share.

Cut Back to Size

"The United States has entered a period of broad transition which is causing widespread worry as well as widespread discussion of some of its visible results. The transition is from the position of the greatest producer of goods in the world to the position of being only one of the great producers."

Elizabeth E. Cook

In the second sentence of that paragraph, George Shea, writing in the *Wall Street Journal* of Dec. 8, 1958, cut through a jungle of confused thought and led his readers out on a promontory from which they could get an extensive view.

And now the implications of an economic United States of Europe, demand contemplation of the world as a whole, and of the place of the United States of America in it.

Mission Partly Accomplished

Through the Marshall Plan, the World Bank, the International Monetary Fund, the Export-Import Bank, the United Nations, and numerous bureaus, missions, and other agencies, an estimated $60 billion or more of the money taken from American taxpayers since War II has been expended for purposes labeled "foreign aid." Some of this money has been spent in foreign countries for humanitarian purposes and for American personnel in those countries. Much of it has paid for American supplies and machinery needed to rebuild factories, homes, other buildings, and roads destroyed by the war or made obsolete by modern technology.

The basic reasoning has been that only prosperous countries could buy the output of our war-expanded factories.

Now a few countries, but an important group, believe themselves strong enough financially to maintain a limited independence of the U.S.A.

For International Commerce Only

Eleven countries have announced the creation of a currency and partial free trade union. They are the United Kingdom, France, West Germany, Denmark, the Netherlands, Belgium, Luxembourg, Italy, Portugal, Norway, and Sweden. Six of them are the members of the European Economic Community, commonly spoken of as the Common Market, formed about two years ago and put into effect on Jan. 1, 1959. The 6 countries are France, West Germany, Italy, Belgium, the Netherlands and Luxembourg, population more than 160,000,000. The 11 countries are among the 17 Marshall Plan countries which also include Austria, Greece, Turkey, Ireland, Finland, and Switzerland.

The 11 countries have not returned to full convertibility of currencies. Restrictions applying to their own residents have not been changed. Full convertibility has **not** been extended to transfer by anyone of bank balances, income from securities, proceeds of sale of securities or any other property, and not even to payment for imports due prior to Dec. 29, 1958.

Residents of European countries have been making capital transfers to the U.S.A. right along, with very little trouble in some countries. But in others they have been hampered by restriction of amount, the necessity of obtaining a license, and by having to pay a heavy premium for dollar exchange. The new freedom will be helpful to central banks and government agencies which have had to handle all these papers.

Despite the limitations of the agreement between the 11 countries, it has great psychological importance as an expression of confidence—confidence in peace, such as it is, and confidence in their currencies and their foreign trade.

Freer convertibility helps trade between the signing nations in two ways, first by removing whatever exchange barrier there has been between them and secondly by making the sum due in payment for products sent into any of them just as good as dollars because freely convertible into dollars.

Since War II, all countries have been more eager to sell goods in the dollar area than anywhere else, because the dollars received in payment could all be taken out and converted at full value into any other currency. Now non-residents, but non-residents only, in any of the signing countries may convert payment due Dec. 29, 1958, or later, from international commerce, from any one of the 11 currencies into any other currency in the world, even into rubles.

For central and other banks and for companies in international trade there will no longer be a special advantage in selling in the dollar area to get dollars and no special reason to leave a balance here. (The dollar area includes U.S.A., Canada, Alaska, Hawaii, the Philippines, Puerto Rico, Venezuela, and others.)

Likewise there will be no disadvantage to American exporters in selling in those European markets since payment can be had in dollars at once.

The Common Market

The 6 countries are united in a more comprehensive agreement. By the terms of the Common Market they have reduced their tariff barriers against each other by 10% and will eliminate them entirely over the coming 12 to 15 years. Eventually they all will have the same tariff barrier, if any, against all countries not members of the Common Market. Import quotas have been liberalized to permit the 6 countries to buy 20% more of each other's products.

The agreement also includes plans for equalizing wages and other costs of production in the 6 countries. It is planned to work out ways of assuring the free movement of labor and capital investment to any part of the 6 countries. The intention is to encourage mass production and mass distribution, in the American manner, with the most modern, mechanized plants.

But mass production and mass distribution will not happen over night in an area which hasn't had them. The plants are still to be built, the products perfected, the taste for them created by advertising, the packaging, handling, and transportation system for them devised.

It may be that American factories in the Common Market will reap the first benefits, because they know what to do, and because of the admiration for American products. As the standard of living improves, there should be a larger market for both American and home mass-produced articles.

Political integration is not an immediate aim of the Common Market but there will be a natural tendency in that direction. Regulations are to be made establishing uniform qualifications for doctors, lawyers, engineers, architects, etc. There is also to be a parliament, a council of ministers, and a law court within the Common Market.

Evidence of Improvement

But to get back to the 11 countries which include the Common Market. It would not have been possible for these 11 countries to declare convertibility if they had not already been in good financial condition internally and in their international balance of payments.

Gradually, through the years of recovery, the countries of Europe have been able to sell more of their goods to the U.S.A. and to the rest of the world. Recently their export trade has been helped here and elsewhere by their ability to undersell many American products. The reserves of their central banks have been built up by purchases of gold from Russia and South Africa. And in the past year, with the balance of international payments running against the U.S.A., more than $2 billion of gold has been exported from here.

Confidence and dignity have been restored throughout free Europe, and a measure of prosperity. Now, as always, one of the symbols of a solvent nation is a convertible currency.

Sour Wine for France—or Else

France alone of the 10 countries, although a member of the Common Market from the start, was not in sound financial condition on Dec. 26, 1958. Since World War II no premier had lasted long enough to accomplish any economy, no matter how clear his vision. But now, in deGaulle, France has a levelheaded patriot such as every country in the world needs. It is possible that his cold logic can convince the French people that the only choice for France is to be a strong member of the Common Market or to withdraw from it and become the first victim of its strength.

France has been suffering from inflation, with a treasury deficit due to tax collections lower than governmental expenditures, and from high wages protected by subsidies and high tariffs. With prices 10% to 30% higher in France than in the other 5 Common Market countries, only national bankruptcy could be expected if France attempted to carry out the terms of the Common Market with the franc at its old stated value. With tariffs and quota restrictions reduced, imports would have rushed in and exports would have fallen to the minimum.

Under the pressure of de Gaulle's iron will the first painful steps have been taken. The franc has been devalued for the 7th time since War II, its gold value reduced by 14.93%. This has the effect of making each dollar worth 17.55% more francs. At this lower gold value the franc has, at the moment, a buying power equivalent to the other liberalized currencies and, like them has been declared convertible into any other currency involved in international trade.

As additional measures necessary to maintain the stability of the franc, a cut in subsidies has been announced, increased taxes on both goods and incomes are planned. Wage and salary increases are to be prohibited except for the lowest earners.

Prices of French goods will rise with repeal of subsidies and prices of imported articles are automatically raised by the devaluing of the franc. The purpose is to increase exports and decrease imports until the new taxes meet the reduced operating expenses of the Government.

The West German Central Bank has granted the Bank of France a $60,000,000 line of credit in case of any sudden exchange emergency. The Bank of England and the Belgian and Netherlands central banks have offered about $190,000,000, and a group of U. S. banks headed by the Chase Manhattan Bank and the First National City Bank have arranged a $200,000,000 stand-by credit. Swiss banks have recently made several loans to French interests and not long ago sold a large issue of French bonds in Switzerland.

The French people don't like austerity any better than others, but they have gritted their teeth and borne it in previous crises. They do love France. They are proud. And, if the tide of thought can be turned, they could surprise the world.

Once the French themselves are convinced that the franc will hold, they will find ways enough to build trade with it. For France is a rich country. It doesn't have to stop to build new factories. It has them now. And it has hidden wealth. Estimates of gold metal hoarded in France run as high as $3 billion, and it is guessed that there may be another $3 billion hoarded here in dollars.

The changes made by France since de Gaulle became President have had to be more drastic than those in other countries because they are meant to correct financial irresponsibility as well as to stimulate foreign trade. The 10% tariff cut required for the Common Market has been extended to the 17 nations and to all France's most favored nations, including the U. S. The 20% increase in import quotas to Common Market countries will permit imports up to 3% of France's own production of any product. On 10% of her imports, France's import quotas favor the Common Market countries. But, by a bold stroke, import quotas have been removed on reciprocal trade with the 17 countries to the extent of 90% of the business done by those countries with France in 1953.

France's import quotas against the dollar area have been more severe than those of other European countries but, with the franc universally convertible, dollar imports are now no more disadvantageous than any other. Already the quota has been revised to permit the U.S.A. to export to France 50% of what it sold there in 1953, compared with less than 15% until now. This should help our exports, especially of raw materials

*An address by Miss Cook before the Municipal Analysts, New York City, Jan. 9, 1959.

such as cotton, sulphur, fuels Trade with France will be easier and possibly it will be larger.

Outgrowth of Marshall Plan

In the working out of the Marshall Plan, 17 countries joined in the Organization for European Economic Cooperation and the European Payments Union, a bank through which they paid their debts to each other and to other foreign countries. Payments went through if the debtor country could provide 75% of the sum due in the appropriate foreign exchange. The EPU automatically lent the remaining 25%.

Now 11 of the 17 countries have announced their signing of the European Monetary Agreement making their currencies universally convertible for purposes of international trade. It is expected that the other six countries will soon announce that they also want the benefits to be derived from more normal exchange conditions. Switzerland has no need to announce convertibility.

Only the announcements are new. The European Monetary Agreement was signed by all 17 countries in 1955 to succeed the European Payments Union when those countries had brought themselves up to the point of currency convertibility. From now on, using as agent the Bank for International Settlements, foreign trade debts are to be cleared and paid monthly in full in the required exchange or settled in gold. There will be no automatic extension of credit. If a member finds itself temporarily out of balance it can apply for a loan for not more than 2 years from the new European Fund, which has $600,000,000 of lending power. Only after investigation will a loan be made. The intention is to force all signer nations to curb inflationary tendencies as soon as observed and so keep their currencies sound.

The United Kingdom is not a member of the Common Market but it is a Marshall Plan country, did sign the new European Monetary Agreement, and has announced convertibility. Because, as every British school boy knows, Britain must export to eat. Competition from the Common Market countries will increase but the reciprocal concessions of the agreement will ease that competition somewhat. Moreover Great Britain, with its far-flung sterling area does about 40% of the world's international trade. It could not risk losing trade by letting the pound sterling be less convertible than other European currencies.

The one most prosperous, most solvent country among the signers, West Germany, has announced that on Jan. 12, 1959, its currency will become fully convertible for everyone for any purpose. It has been so except for the necessity of getting certain licenses. Switzerland has of course maintained full convertibility since the War.

Trade Means Quid Pro Quo

The importance of the international balance of payments is the importance of solvency. Commerce can run along on credit for a while but, ultimately, everyone who has sold something valuable in the currency of his country wants to be paid in his national currency or in goods, services, or securities to which he attaches equal value. Otherwise he doesn't want to make any more sales to that party.

Convertibility of currencies is possible only among nations which balance their imports of every kind with their exports of every kind—approximately. From month to month, from year to year, a nation may owe more or be owed more, with the difference settled in gold or in a foreign currency acceptable to the creditors.

War II left many countries unable to pay either money or goods for the imports needed for rehabilitation. By quotas and frozen currencies they restricted imports to necessities, paid what they could in goods, and went into debt for the balance.

The world is still far from the universal convertibility of currencies which existed before Aug. 1, 1914, but some progress toward it has been made. It now seems safe to assume that there can be an approximate balance of imports and exports between the more industrialized countries of the free world.

Not for Love

The 6 countries in the Common Market and all those in the currency agreement, each entered for its own good, with the hope of increasing its exports and thereby its ability to import what it does not produce. No one of them is concerned with increasing the exports of the United States.

There is wide difference of opinion as to what the near-term effects on U. S. trade will be. Already high cost of production here has led many American manufacturers to do their foreign business not by exporting but by making their products with foreign labor in those foreign countries.

Business Week, in its issue of Jan. 3, 1959, estimates that American companies have at least $28 billion direct investment in foreign countries, possibly as much as $50 billion. About ¼ is in natural resources such as oil and minerals, but nearly half in manufacturing. Moreover sales from overseas operations have been growing more than 3 times as fast as export sales.

American plants in the 6 countries can benefit from the Common Market; they may even be able to sell their products in the U.S.A. Their profits can be converted into dollars and sent home.

Theoretically, with the dollar worth more francs, goods bought in France should cost fewer dollars, but that may not be true for long. French prices are going to be higher to Frenchmen for products on which subsidies have been cut, and therefore to us. Consumer goods, which the French have been buying from us, will cost them more and they may buy less because their incomes will be reduced by heavy taxes.

At this date even those who know most about international commerce hesitate to predict what results will follow the success of the European Monetary Agreement, if it does succeed.

Competition for international trade will be keener, that much is certain. This could benefit the American consumer by bringing in enough foreign products to keep the prices of similar American goods from rising. And, if American goods can compete in price, or if they are in some way special; more prosperous European countries will want more of them. But American manufacturers will no longer have the advantage of being the only mass producers.

More Work for Santa Claus

The billions of foreign aid may have accomplished a part of their purpose in the signing countries. But no new regime so drastic is likely to operate perfectly from the start. And, as difficulties arise, it must be expected that more money will be wanted from American taxpayers. Increased contributions to the World Bank and to the International Monetary Fund are in immediate prospect. Loans to any one of the signing countries which finds itself temporarily short of any foreign currency would be in accordance with the general U.S. policy of helping all free world countries to help themselves.

Looking ahead some years, it would seem that free nations at peace and prosperous should enjoy a volume of foreign trade greater than ever before. And in that larger, freer trade, the United States can compete for its share.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Burton R. Foss has joined the staff of Bache & Co., 140 South Dearborn Street.

J. B. Kilroy Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John B. Kilroy is conducting a securities business from offices at 618 South Spring Street.

H. W. King Opens

SHREVEPORT, La.—Harold W. King is engaging in a securities business from offices at 3109 Alexander.

Join Hathaway Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Richard I. Sipes and Victor L. Syfrit have joined the staff of Hathaway Investment Corp., 1845 Sherman St.

New Klugh Office

BELTON, S. C.—Klugh & Company, Inc. has opened a branch office at 309 North Main Street under the direction of Milton M. McCuen.

COMING EVENTS

In Investment Field

Jan. 29, 1959 (Chicago, Ill.)
Security Traders Association of Chicago annual winter dinner at the Sheraton Hotel.

Feb. 6, 1959 (Boston, Mass.)
Boston Securities Traders Association 35th annual dinner at the Sheraton Plaza Hotel.

Feb. 27, 1959 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual dinner at the Bellevue-Stratford Hotel.

April 1-3, 1959 (San Antonio, Tex.)
Texas Group of Investment Bankers Association of America annual meeting at the Hilton Hotel.

Nov. 2-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention at the Boca Raton Club.

Now Bravman Co.

The firm name of Prudential Investors Corporation, 154 Nassau Street, New York City, has been changed to Bravman & Company, Incorporated.

Edwin H. Muir

Edwin H. Muir, member of the New York Stock Exchange and senior partner of John Muir & Co., New York City, passed away Jan. 14 at the age of 66 following a long illness.

Gas Turbine Developments In World's Automobile Industry

By FRANK L. SCHWARTZ*

Professor of Mechanical Engineering,
University of Michigan, Ann Arbor, Mich.

Prof. Schwartz opines gas turbines in production models will first appear in high production, low cost automobiles—not, as one would believe, in sports cars, trucks, and buses. Asseverating their appearance could occur by 1965 if manufacturers so desired, the Michigan University engineer explains that the technical problems are solved but the major problems still to be licked are those of reducing costs and of manufacture, as well as the design of a chassis and body specifically for the gas turbine.

The interest and progress of automobile manufacturers in the gas turbine for vehicle propulsion has continued during the past six years. Although not at a rapid rate, progress has been steady. Development of production models have not yet appeared but many experimental models have been built and indications are that production models may be available within the next decade. The automotive models under development are largely in the 200 to 250 horsepower size running at 35,000 to 55,000 rpm. Special effort in recent years has been devoted to improve the fuel consumption by adding heat exchangers to the originally proposed simple cycle gas turbines. Thus, a great deal of the effort of the past six years has been devoted to designing either rotary heat exchangers with its seal problem, or stationary heat exchangers with its problems of manifolding.

Frank L. Schwartz

Probably no group of engineers are working so diligently to [illegible] inate their present assignments as the development engineers and designers of present day automotive reciprocating engines. With each model of reciprocating engine which has an increased horsepower, a design requiring higher octane fuels, a fuel induction system which is more costly, or an engine with larger air filters, the ability of a gas turbine to economically compete with the reciprocating engine becomes more evident. A 200 horsepower gas turbine can have about the same torque characteristics as a 300 to 350 horsepower reciprocating engine using automatic transmissions. It appears to be very difficult for designers to build a 50-horsepower gas turbine with efficiencies to compete with reciprocating engines. However, in the 200 to 250 horsepower gas turbine size, efficiencies rise in an area where the gas turbine becomes more competitive. Gas turbines can use fuel oil as readily as 100 octane gasoline. The gas turbine can have many fewer parts than reciprocating engines and so doing becomes more competitive on a production cost basis, especially when reciprocating engines use expensive fuel injection systems. The bulk of the gas turbine is increased considerably when a heat exchanger is added. However, when reciprocating engines add excessively large air filters a size comparison becomes more competitive in favor of the gas turbine.

*From a talk by Professor Schwartz before the American Society of Mechanical Engineers, New York City.

Predicts Appearance in Low Cost Autos

Although it may appear that gas turbines should first appear in sports cars, trucks, and buses, it is more likely for economic reasons, that gas turbines in production models will first appear in high production, low cost automobiles. Trucks and buses for inter-city travel using super highways where the maximum horsepower can be used almost continuously would seem to be a natural application for the gas turbine. In the case of sports cars, a higher first cost might be a market which could be exploited by the gas turbine. However, if gas turbines are to be competitive with reciprocating engines, they not only must have equal or better performance than reciprocating engines, but they must also be made at as low a cost or lower than the cost of reciprocating engines. In order to get the cost down it is necessary to manufacture gas turbines in high production quantities. Since the tooling and manufacturing processes for manufacture of a gas turbine are different than those of a reciprocating engine the cost can only be lowered by high production. Therefore, it is very likely the first production models will be in a low priced, high production automobile.

It is expected that the maintenance of an automotive gas turbine will be less than that of present reciprocating engines; at least this is the experience in all other applications of gas turbines whether it be aircraft, pipe line pumping, production of electrical energy, or marine use. Turbine wheels could well have a life for 100,000 miles and be replaced at that time with less difficulty than putting new rings into a reciprocating engine. Various manufacturers in both the United States and England have predicted the appearance of production models in anywhere from two to seven years. The technical problems of producing an efficient gas turbine are solved at the present time and major problems yet to solve are those of reducing costs and solving the manufacturing problems as well as the design of a chassis and body specifically designed for the use of a gas turbine.

Production by 1965

If management of automobile companies choose to produce a gas turbine powered automobile, a production model car designed especially for a gas turbine could be produced by 1965 and is likely to have a 200 HP gas turbine of 4:1 pressure ratio, a maximum inlet gas temperature of 1600° F., a single stage centrifugal compressor of better than 80% efficiency, a rotary or stationary heat exchanger of 85 to 90% effectiveness, a two-stage turbine of 85% efficiency or better, one stage driving the compressor and one stage driving the output shaft. The size will be no larger than present day reciprocating engines. Its maintenance will be less than required for present day reciprocating engines. Its fuel consumption will be as good or better than reciprocating engines. It will require no antifreeze, have better torque characteristics than reciprocating engines, use less lubricating oil and burn kerosene or fuel oil.

Connecticut Brevities

Stockholders of **Hartford Fire Insurance Company** recently voted to increase outstanding shares by 175,000 to 2,675,000. The purpose of the increase was to complete the acquisition of Columbian National Life Insurance Company—seven shares of Hartford Fire were exchanged for each 10 shares of Columbian National. This action puts Hartford Fire into the life insurance business, broadening its field of operations to provide all forms of insurance protection. Columbian National has been writing about $50 million new life insurance annually and has about $550 million life insurance in force. Combined assets of the two companies exceed $700 million.

* * *

The **Southern New England Telephone Company** plans to spend $40 million for expansion in 1959, $2.5 million less than was spent for expansion in 1958. The largest portion, or $12.8 million of next year's budget is allocated for outside plant of which $8.6 million will be spent for cable expansion requiring some 2.1 billion feet of wire. Other large expenditures budgeted include $12.5 million for telephones and other station equipment; land and buildings $6.7 million and dial central office equipment $6 million.

* * *

A new manufacturing concern is operating in Connecticut as a result of the merger of Precision Equipment, Inc. of Bethel and the Foredom Electric Company of New York. Precision Equipment purchased Foredom in 1958. Recently the manufacturing facilities and general offices of Foredom were moved to Connecticut and consolidated with Precision Equipment. The combined organization is operating now as **Foredom Electric Company, Inc.** The firm manufactures flexible shaft machinery for general industrial use, chiropody drills, dental engines and buffing and grinding equipment for the jewelry trade.

* * *

Dorr-Oliver, Inc. has transferred its filtration engineering and development operations from Oakland, California to Stamford. It is expected that about 60 persons will be employed at the new location. Long-range plans for Dorr-Oliver call for centralization of filtration engineering and manufacture in the East.

* * *

Sikorsky Aircraft division of **United Aircraft Corp.** has been awarded approximately $35 million in Navy contracts for further production of the Navy and Marine Corps version of its single engine S-58 helicopter and spare parts. These contracts are for the Navy HSS—1N anti-submarine craft, which is fully instrumented and capable of automatic flight, and the Marine Corps HUS-1, a troop and cargo transport. Both are powered by piston engines. The craft are scheduled for production in 1960. Since 1954 more than 1,000 military and commercial versions of the S-58 have been produced.

* * *

The **Torrington Company** announced recently the purchase of the business and assets of the Aghi Zebra San Giorgio latch needle plant in Genoa, Italy. The Italian firm, which employs 160 workers, was acquired for the purpose of expanding Torrington's position in world trade, according to company officials. In addition to the four plants in Torrington, the company operates manufacturing facilities in Canada, England, and Western Germany.

* * *

Polymer Industries, Inc., wholly owned subsidiary of **Phillip Morris, Inc.**, plans to expand its plant in Springdale and add new equipment early this year. The expansion program will cost approximately $350,000 and will double existing manufacturing space. Polymer, which was organized in Long Island in 1946 and moved to Connecticut in 1954, produces specialty chemicals for the textile trade and adhesives for various packaging applications.

* * *

Connecticut ranked first in per capita value of military prime contracts awarded between July 1950 and June 1958 according to figures compiled by the U. S. Department of Commerce and the Research Section of the State Development Commission. The total value of contracts awarded to Connecticut firms during that period was $8,782,474,000 or $4,376 per capita. The state ranked fifth in total dollar value of contracts for the same period.

Form New Partnership

BOSTON, Mass. — The former partnership of George P. Fogg & Co., 201 Devonshire Street, was dissolved Dec. 31, and a new partnership of George P. Fogg, Jr. and David C. Fogg, has been formed to act as specialists in municipal bonds under the name of George P. Fogg & Co.

With J. A. Overton

(Special to THE FINANCIAL CHRONICLE)

CORONADO, Calif.—Gerald D. Zurmuehlen has become affiliated with J. A. Overton & Co., 1134 Orange Avenue. He was formerly with the Cunningham-Cleland Company.

H. M. Byllesby Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Gerald M. Ryan, Jr. has become associated with H. M. Byllesby and Company, Incorporated, 135 South La Salle Street, members of the Midwest Stock Exchange. He was formerly with William A. Fuller & Co.

Fight Against Inflation Takes a Holiday in Britain

By PAUL EINZIG

British correspondent attributes pessimism about prospects for faster economic recovery to domestic and foreign political uncertainties, and not to the economic situation. Dr. Einzig does observe tendency for wage increases to continue despite excess capacity and retention of idle employees on the payroll. More importantly, however, he finds alarming the increased acceptance of price inflation as a necessary evil in order to have high production and employment, and the decreased opposition to policy of reflation.

LONDON, Eng.—The overflow of optimism that usually characterizes the general attitude at the beginning of each year is singularly absent this year. While towards the end of 1958 a revival of trade, free of inflationary exaggerations, was widely anticipated, since the beginning of January doubts have developed both about business prospects and about prospects for monetary stability. It is now feared that business revival will be slow this year and that it will be accompanied by a degree of prices increases quite out of proportion to its extent.

Dr. Paul Einzig

Business Recovery Pessimism

The uncertainty is accentuated also by the political factor. There is growing concern about the difficulty of settling the Berlin problem, and the outcome of the coming General Election is considered doubtful. Either of these two factors is liable to bring about a setback in business recovery, though if all goes well it could create an atmosphere of optimism that would encourage investment and consumer demand. One of the reasons why the London Stock Exchange has adopted a cautious attitude towards equities since the turn of the year is the anticipation of unfavorable political developments.

It is difficult to understand the revival of pessimism in respect of the prospects of trade recovery on purely economic grounds. There are indications of a distinct increase of consumer demand. The removal of restrictions on installment selling has resulted in a sharp rise in the demand for consumer durable goods. Judging by the increase in the note circulation in December, retail trade must have been brisk during the Christmas season, and the annual sales in January also appear to be satisfactory. According to the latest estimates capital expenditure by privately-owned industry is only expected to be slightly lower than in 1958 and the difference will be more than offset by the increase in investment in the public sector of the economy. Over and above all, hardly a week passes without a major wage increase, and the cumulative effect of these increases is bound to be an expansion of consumer demand.

Wage Increases

Precisely because of these wage increases it is feared that a rise in prices will exceed the extent of a business revival. There is no fundamental reason why this should be so, considering that there is at present much unused manufacturing capacity, so that it would be possible to increase the output by between 10 and 15% even in the complete absence of any net capital investment. The capacity is there and the output could be increased through the re-employment of the unemployed and the working of longer hours, without the installation of additional capital equipment. Most business firms are reluctant, however, to increase their output. This is partly due to the existence of unsold stocks in many industries, though in this respect the situation has improved. It now seems reasonable to assume that the growing consumer demand would be able to absorb an increased output.

Nevertheless, business firms are not sufficiently certain of the prospects to embark on an increase in their production. In fact in many instances the tendency still points in the opposite direction. There are still dismissals through redundancy. The explanation of this attitude lies largely in the growing resistance of the trade unions to redundancy dismissals. During the boom this resistance did not matter very much, and most firms were quite willing to "hoard" superfluous labor. The recession induced them, however, to reverse their attitude. They now encounter strong resistance, but in existing conditions they are inclined to take a firm line in face of threats of strikes or redundancy dismissals. In one isolated instance a small industrial firm actually dared to turn tough and closed down a section of its works affected by such a strike.

Many firms are afraid of increasing prematurely the number of their employees. What they fear is that, should there be a relapse, they would encounter once more difficulties in their efforts to reduce their staffs. They will have to be much more certain about prospects before they would feel justified in re-employing labor on a noteworthy scale.

Meanwhile wages are increasing and in the absence of a corresponding increase in production this alone should be a sufficient cause for further rise in the cost of living. Cost inflation continues and as a result of wage increases and increases in the demand for consumer durable goods on the instalment system there is also once more some degree of demand inflation which is not neutralized by corresponding increase in the supply of goods.

Curiously enough very few people are prepared to admit to themselves the facts of this situation. Pressure on the Government to reinforce its reflationary measures continues unabated. The threat of a slump frightened most people into playing for 105% safety by putting up with much inflation to remove the risk of deflation. Apart from bank chairmen, who in their annual addresses to their shareholders laid stress on the need for resisting inflation, most public pronouncements point in the opposite direction.

Notes Less Opposition to Inflation

The slowness of the business recovery—not only in Britain but also in the United States and other countries — reinforced the argument of those who believe that unhampered inflation is the smaller of the two evils. The number of people who have come to believe that on the basis of recent experience it is dangerous to resist inflation too firmly is distinctly on the increase. And those who still believe that, taking a long view, inflation is by far the graver danger, are considerably less vocal than they were until recently. There are hardly any letters in the correspondence columns of newspapers about inflation these days. Recovery will have to preceed much further before its inflationary aspects will come to be noticed adequately. Even then it will be much more difficult to wage a campaign against inflation than it was in 1957.

Townsend, Dabney Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine — Charles P. Soule has been added to the staff of Townsend, Dabney & Tyson, 184 Middle Street.

Four With Keller Brothers

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Carl K. Benson, Joseph A. Eoksuzian, Peter Ferrini and Edmund C. Keenan are now with Keller Brothers Securities Co., Inc., Zero Court St.

Now With Murch & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—George J. Schneider has become affiliated with Murch & Co., Inc., Hanna Building, members of the New York Stock Exchange. Mr. Schneider was previously with Central States Investment Co.

'59 Life Underwriting School at Conn. Univ.

STORRS, Conn. — "The Estate Planning Team in Action" will be the focal point of attention when the 16th Life Underwriting School meets at the University of Connecticut July 27, 1959.

In announcing plans for the School, Laurence J. Ackerman, dean of the UofC School of Business Administration, pointed out that participants will work from a comprehensive case history, taken from the actual experience of a life underwriter.

The one-week session, sponsored by the Connecticut State Association of Life Underwriters, the UofC School of Business Administration and the Division of University Extension, is designed for insurancemen with at least three years' experience.

Topics to be covered include: Stock Valuation Techniques; The Role of the Trust Company in Estate and Business Planning; The Place of Trusts in Estate Planning; The Role of the Life Underwriter in Estate and Business Planning; The Role of the Lawyer in Estate and Business Planning; and Resolving the Legal Problems.

The School's faculty follows: Francis T. Fenn, Jr., C.L.U., president of F. T. Fenn, Jr. & Co., Hartford; William C. Fenniman, vice president of the Connecticut Bank and Trust Co., West Hartford; Edward H. Heilman, Jr., C.P.A., partner in the Hartford accounting firm of Knust, Everett & Cambria; and John H. Riege, partner in the Hartford law firm of Reid & Riege. Mr. Fenn will coordinate the material for the presentation of the case.

Dean Ackerman will open the School with a welcoming message Monday (July 27) and Wilbur W. Hartshorn, C.L.U., superintendent of agencies, Metropolitan Life Insurance Co., New York City, will deliver the closing address.

Anthony S. Esposito, Stamford, chairman of the Summer School committee, is in charge of arrangements for the School. Other committee members are: William Henry Carr, C.L.U., Bridgeport; John T. Redman, New Haven; and Frederick A. Risley, Hartford.

For information about fees and program, write to Miss Dorothy G. Lundblad, School of Business Administration, UofC, Storrs, Conn.

With Westheimer and Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Robert W. Haynes has become associated with Westheimer and Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges. Mr. Haynes was formerly with A. E. Aub & Co.

Two With Suburban Secs.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Harvey N. Heiss and William K. Van Fossan has joined the staff of Suburban Securities Co., 732 East 200th St.

Joins McMaster Hutchinson

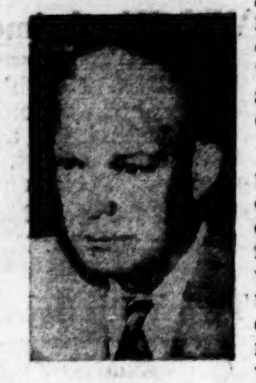
(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Richard W. Mueller has become connected with McMaster Hutchinson & Co., First Wisconsin Nat'l Bank Bldg.

Federal Budget for 1960 Is Balanced and Restrained

President's estimated balanced budget for fiscal year 1960 reverses past five year's trend of larger budgets. It reflects determination not to undertake any new—or expand existing—spending; and proposes minor revenue increases amounting to $1.3 billion. Moreover, without encompassing any significant changes in ratio of defense to non-defense spending, the President says his budget should increase military effectiveness, enhance domestic well-being, help allies develop, preserve fiscal soundness, and encourage economic growth and stability —all within our income.

President Eisenhower is confident that the Federal budget submitted to Congress on Monday, Jan. 19th, is both genuinely sound and helpful in all ways despite its moratorium on spending changes designed to achieve a small surplus. The President envisions future tax cuts and debt reduction if the assumptions upon which the budget is based are correct, and if Congress supports the recommended concommitant proposals. For this year, however, the President again asks that the permanent debt ceiling of $285 billion be continued and that the temporary debt ceiling be raised.



Pres. Eisenhower

Excerpts from the Budget message of President Dwight D. Eisenhower for the fiscal year ending June 30, 1960, submitted to the Congress of the United States follow:

The situation we face today as a Nation differs significantly from that of a year ago. We are now entering a period of national prosperity and high employment. This is a time for the Government to conduct itself so as best to help the Nation move forward strongly and confidently in economic and social progress at home, while fulfilling our responsibilities abroad. The budget of the United States for the fiscal year 1960, transmitted herewith, will effectively and responsibly carry out the Government's role in dealing with the problems and the opportunities of the period ahead.

This budget proposes to increase our military effectiveness, to enhance domestic well-being, to help friendly nations to foster their development, to preserve fiscal soundness, and to encourage economic growth and stability, not only in the fiscal year 1960 but in the years beyond. And it clearly shows that these things can be done within our income.

We cannot, of course, undertake to satisfy all proposals for Government spending. But as we choose which ones the Government should accept, we must always remember that freedom and the long-run strength of our economy are prerequisite to attainment of our national goals. Otherwise, we cannot, for long, meet the imperatives of individual freedom, national security, and the many other necessary responsibilities of Government. In short, this budget fits the conditions of today because:

(1) **It is a Balanced Budget.**—My recommendations call for an approximate equality between revenues and expenditures, with a small surplus.

(2) **It Is a Responsible Budget.**—By avoiding a deficit, it will help prevent further increases in the cost of living and the hidden and unfair tax that inflation imposes on personal savings and incomes.

(3) **It Is a Confident Budget.**—It anticipates, in a rapidly advancing economy, increases in revenues without new general taxes, and counts upon the unity and good judgment of the American people in supporting a level of government activity which such revenues will make possible.

(4) **It is a Positive Budget.**—It responds to national needs, with due regard to urgencies and priorities, without being either extravagant or unduly limiting.

(5) **It Is an Attainable Budget.**—Its proposals are realistic and can be achieved with the cooperation of the Congress.

This budget was prepared in the light of the following general prospects for Government finances for the next few years.

Growth of Revenues.—. . . Under our graduated income tax system, with present tax rates, budget receipts should grow even faster than national income, although the rise in receipts certainly will not be uniform from year to year. Also, some tax reforms and downward tax adjustments will be essential in future years to help maintain and strengthen the incentives for continued economic growth. With a balance in our finances in 1960, we can look forward to tax reduction in the reasonably foreseeable future. In the long run, taxes should be so arranged that in periods of prosperity some annual provision is made for debt reduction, even though at a modest rate.

Control of Expenditures. — The estimated 1960 expenditures, while $3.9 billion less than in 1959, will still be $12.4 billion higher than in 1955, an average increase of almost $2.5 billion a year. These figures emphasize that if we are to succeed in keeping total expenditures under control in the coming years we must recognize certain hard facts.

First, defense spending will remain extremely large as long as we must maintain military readiness in an era of world trouble and unrest. Until there is a significant and secure easing of world tensions, the actions by the Department of Defense to realign forces, close unneeded installations, and cut back outmoded weapons will achieve only relatively small expenditure reductions. Keeping our military structure capable and ready to meet any threat means that we must continue to strengthen our defenses. It is but a reflection of the world in which we live to stress again the fact that modern weapons are complex and costly to develop, costly to procure, and costly to operate and maintain.

Second, without one single new action by the Congress to authorize additional projects or programs, government outlays for some of our major activities are certain to keep on rising for several years after 1960 because of commitments made in the past. For example . . . construction . . . projects underway throughout the country will raise expenditures for these programs in the next 2 years beyond the current record amount.

SUMMARY OF BUDGET RECEIPTS AND EXPENDITURES

Based on existing and proposed legislation

[In millions]

Description	1958 actual	1959 estimate: Under existing laws and authorizations enacted or recommended	1959 estimate: Proposed for later transmission	1959 estimate: Total	1960 estimate: Under existing laws and authorizations enacted or recommended	1960 estimate: Proposed for later transmission	1960 estimate: Total
Budget Receipts:							
Individual income taxes	$34,724	$36,900	------	$36,900	$40,700	------	$40,700
Corporation income taxes	20,074	17,000	------	17,000	20,448	$1,000	21,448
Excise taxes	8,612	8,467	------	8,467	7,841	1,104	8,945
Employment taxes	333	328	------	328	340	------	340
Estate and gift taxes	1,393	1,365	------	1,365	1,415	------	1,415
Customs	782	840	------	840	900	------	900
Miscellaneous budget receipts	3,200	3,100	------	3,100	3,337	15	3,352
Budget receipts	$69,117	$68,000	------	$68,000	$74,981	$2,119	$77,100
Budget Expenditures:							
Major national security	$44,142	$45,842	$278	$46,120	$45,134	$671	$45,805
International affairs and finance	2,234	2,293	1,415	3,708	1,498	631	2,129
Veterans' services and benefits	5,026	5,079	119	5,198	5,080	8	5,088
Labor and welfare	3,447	4,150	230	4,380	4,092	37	4,129
Agriculture and agricult. resources	4,389	6,753	22	6,775	5,863	132	5,996
Natural re ources	1,543	1,669	39	1,708	1,683	27	1,710
Commerce and housing	2,109	3,135	374	3,509	2,454	†—210	2,243
General government	1,356	1,531	142	1,673	1,713	22	1,735
Interest	7,689	7,601	*	7,601	8,096	*	8,096
Allowance for contingencies	------	------	200	200	------	100	100
Budget expenditures	$71,936	$78,053	$2,818	$80,871	$75,612	$1,418	$77,030
Budget surp. (+) or def. (—)	—$2,819	------	------	—$12,871	------	------	+70

*Less than one-half million dollars. †Includes proposed postal rate increases of $350 million.

New Receipts Proposals in the 1960 Budget

Highway trust fund:

1. Raise motor fuel tax to 4½ cents per gallon.

Postal fund:

2. Revise rates to bring in an additional $350 million in fiscal 1960.

Special and technical income tax adjustments:

3. Enact equitable plan for taxing income of life insurance companies.
4. Revise rules for computing percentage depletion allowances to insure that they are limited to mining processes.
5. Enact corrective legislation relating to taxation of cooperatives.

Other receipts:

6. Raise aviation gasoline tax to 4½ cents per gallon and levy new 4½-cent tax on jet fuels.
7. Adjust other fees and charges so that persons receiving special services will more nearly pay the cost of those services.

Moreover, inescapable demands resulting from new technology and the growth of our nation, and new requirements resulting from the changing nature of our society, will generate Federal expenditures in future years. As a matter of national policy we must, for example, make our airways measure up to the operational and safety needs of the jet age. We must not forget that a rapidly growing population creates virtually automatic increases in many Federal responsibilities.

Fiscal Soundness and Progress

Both domestic and defense needs require that we keep our financial house in order. This means that we must adhere to two policies:

First, we must review all government activities as a part of the continuing budgetary process from year to year. . . . Consonant with this policy of review, reductions have been recommended in this budget for 1960 appropriations which will affect expenditures not only in that year but also in later years. Furthermore, this budget contains proposals to modify certain activities and institute certain charges for special services. These recommendations are practicable and sound. They should be enacted. Second, we must examine new programs and proposals with a critical eye. . . .

Our economy will continue to grow vigorously. This growth will produce additional Federal revenues, but it will not produce them without limit. We cannot take our resources for granted and we canont spend them indiscriminately. We must deal with new conditions as they arise. We must choose what the Federal Government will do and how it will do it. If the choice is responsibly made, reductions obtained through economies and the rising revenues accompanying economic growth will produce surpluses which can be used to lessen the burden of taxes, meet the cost of essential new government services, and reduce the public debt. The proposals in this budget have been formulated with these long-run objectives in mind.

Budget Totals

Budget expenditures are proposed to be held to $77 billion in fiscal 1960, which is $3.9 billion less than the estimated 1959 level of $80.9 billion.

With continued vigorous economic recovery, and with the relatively few new tax adjustments proposed herein budget receipts in fiscal 1960 are expected to reach a total of $77.1 billion, an increase of $9.1 billion over fiscal 1959.

Thus a very modest surplus of about $0.1 billion is estimated for 1960, compared with a recession-induced deficit of $12.9 billion in the current fiscal year. This estimated balance assumes enactment of recommendations for extending present excises and corporation income taxes scheduled for reduction under existing law, for some new tax legislation to remove inequities and loopholes, for increased charges for special services, and for reductions in some current programs. It also assumes that certain programs can be made self-financing by stepping up the sale of portfolio assets.

Financing of the $12.9 billion budget deficit for the current fiscal year will increase the public debt to $285 billion by June 30, 1959, $2 billion in excess of the present permanent debt limit. With a balanced budget in 1960, a $285 billion debt is indicated also for June 30, 1960. On the basis of thees estimates, it will be necessary to renew the request made during the past session of Congress for a permanent debt ceiling of $285 billion and, further, to seek an increase in the temporary debt ceiling sufficient to cover heavy borrowing requirements during the first half of the fiscal year 1960, borrowings which would be repaid before June 30, 1960.

The new authority to incur obligations recommended for fiscal 1960 is $76.8 billion, which is slightly less than the estimates for expenditures and for receipts. Further reductions in new obligational authority can be attained in 1961 by the Congress enacting my recommendations for program modifications.

Budget Receipts

Extension of Present Tax Rates. — The budget outlook for 1960 makes it essential to extend present tax rates on corporation profits and certain excise taxes another year beyond their present expiration date of June 30, 1959.

Development of a More Equitable Tax System. — Considerable progress was made last year in removing unintended benefits and hardships from the tax laws. Continued attention is necessary in this area. As the budget permits additional reforms should be undertaken to increase the fairness of the tax system, to reduce the tax restraints on incentives to work and invest, and wherever feasible to simplify the laws. . . .

Revenues. — The resurgence of our economy has been stronger than was assumed in the budget estimates that were published last September. Consequently, budget receipts for the fiscal year 1959 are now expected to total $68

Continued on page 66

Eisenhower Finds Business Good And Prescribes Inflation Cure

The basis for favorable economic outlook prediction and the singularly economic problem of price inflation are principal topics in President Eisenhower's Economic Report to Congress. Clearly pointing out that the alternative to price inflation is controls, the President adjures labor and management to keep wages within the bounds of productivity. Included in his recommended program for business, labor, consumers and Congress, is a proposal to enlarge and improve "public information on prices, wages and related costs and productivity. . . ."

In transmitting the annual Economic Report to Congress, as called for by the Employment Act of 1946, on Jan. 20, President Eisenhower expressed confidence about the direction of the factors determining recovery but evinced considerable concern as to whether we can achieve a firm foundation for economic growth with a stable price level.

Pres. Eisenhower

For all important facets of the economy, including Congress, the President prescribed a large number of proposals with stress placed upon a balanced budget, prudent spending, restraint on wages and increased competition. He held out, however, the prospect of tax reform and reduction in the foreseeable future if the anti-inflation formula prescribed is energetically followed.

The text of the Letter of Transmittal accompanying the President's annual Economic Report to Congress follows:

Letter of Transmittal

THE WHITE HOUSE,
Jan. 20, 1959.

I present herewith my Economic Report, as required by Section 3(a) of the Employment Act of 1946. In preparing this report, I have had the advice and assistance of the Council of Economic Advisers. I have also had the advice of the heads of executive departments and independent agencies of the Government. I set forth below, largely in the language of the report itself, what I consider to be its salient conclusions and recommendations.

Economic Recovery in 1958

When the Economic Report was submitted to the Congress in January, 1958, a contraction in production and employment that had started some six months earlier was still under way. The decline proved to be sharper than the 1953-54 recession, but it did not last as long. A recovery began in May, 1958, and by the end of the year most of the ground lost had been regained. Gross national product, our broadest measure of the nation's output of goods and services, was at an annual rate of $453,000,000,000 in the fourth quarter of the year. In dollars of constant purchasing power, this was almost equal to the highest output attained in the pre-recession period. Nearly a million more people were at work in December, 1958, than in July, after allowance for seasonal changes. Although the number of persons unemployed was above 4,000,000 in December, it was 1,000,000 below the highest unemployment figure reached during the recession. Wage and salary income and consumer spending were at an all-time high, and the index of consumer prices had been virtually stable for six months, although about 2% higher than a year earlier.

Economic Policies in 1957-58

The events of the last 18 months show again the considerable capacity of our economy to resist contractive influences and to hold a downturn within fairly narrow limits. Many factors contribute to this capacity. Chief among them are industry and resourcefulness of our people, the strength and resiliency of our free competitive institutions and the continuing operation in the American economy of powerful forces making for long-term growth.

Also of importance are features of our economic system that moderate the impact of contractive influences on personal income, and thus help to maintain demand. Increasingly, our people work in industries and occupations that are not readily affected by moderate economic declines. And such reductions in income as do result from lower production and employment are offset, to a considerable extent, by supplementary payments, notably by those made under the Federal-State system of unemployment insurance.

Governmental actions also played an important role in moderating the recession and helping to bring about a prompt and sound recovery. Monetary and credit policies were employed vigorously to assure ample supplies of credit. Legislation was enacted to lengthen temporarily the period of entitlement to unemployment benefits. Numerous actions were taken to spur building activity. Steps were taken to accelerate Federal construction projects already under way and to speed up projects supported by Federal financial assistance. Activities under a number of Federal credit programs, in addition to those in the housing field, helped counter the recession. And the acceleration of defense procurement, which was being undertaken in line with national security policy, exerted an expansive effect.

The 1957-58 recession shows that the major emphasis of Federal policies to counteract an economic downturn should be placed on measures that will act promptly to help shift the balance of economic forces from contraction to recovery and growth. Though an effective contribution can be made by the acceleration of public construction projects already under way, little reliance can be placed on large undertakings which, however useful they may be in the longer term, can be put into operation only after an extended interval.

The 1957-58 experience is also a reminder that there is no simple prescription for corrective action which can be applied with only minor variations in every business downturn. It emphasizes the importance, in a situation in which powerful corrective forces are at work, of avoiding hasty and disproportionate actions, such as tax reductions that needlessly endanger the prospects of future fiscal balance and prejudice the orderly revision of the tax structure.

As production, employment, and income moved upward in 1958, the economic policies of government became increasingly concerned with keeping the recovery on a sound basis and promoting a sustainable long-term expansion. Monetary and credit policy was shifted with a view to limiting the expansion of bank credit to a sustainable pace. The large financing operations of the United States Treasury are being conducted with a view to enhancing the basic stability of our financial system and promoting sound economic growth. And the fiscal operations of government are moving in the direction of restoring a balance between outlays and incomes and thereby countering potential inflationary tendencies.

The Economic Outlook

As 1959 opens, there is reason for confidence that the improvement in business activity, which began in the second quarter of last year, will be extended into the months ahead. Factors that influence decisions on business capital outlays have become more favorable, and an upturn in these expenditures may already be under way. Residential construction outlays should contribute further to economic expansion especially if favorable action is taken by the Congress on recommendations made in the report to provide a steadier and more assured flow of private funds into mortgages. Sales of United States products in foreign markets may increase as the pace of business activity abroad quickens and the trade position of primary producing countries is improved. The combined outlays of Federal, state and local government units will continue to rise. Under the impact of these developments, the liquidation of inventories should soon come to an end; indeed, the gap between current sales and stepped-up production schedules may already have been closed. The effect of these favorable factors on employment and income can be expected to enlarge the markets for consumer goods and thereby to reinforce the conditions making for over-all economic expansion.

A Program for Economic Growth With Stable Prices

Our objective must be to establish a firm foundation for extending economic growth with stable prices into the months and years ahead. This will not come about automatically. To attain our goal, we must safeguard and improve the institutions of our free competitive economy. These are basic to America's unassailable economic strength. We must wage a relentless battle against impediments to the fullest and most effective use of our human and technological resources. We must provide incentives for the enlargement and improvement of the facilities that supplement human effort and make it increasingly productive. Finally, an indispensable condition for achieving vigorous and continuing economic growth is firm confidence that the value of the dollar will be reasonably stable in the years ahead.

Action to meet these challenges is required on many fronts, by all groups in our society and by all units of government.

The individual consumer can play an important part by shopping carefully for price and quality. In this way the American housekeeper can be a powerful force in holding down the cost of living and strengthening the principle that good values and good prices make good business.

Businessmen must redouble their efforts. They must wage a ceaseless war against costs. Production must be on the most economical basis possible. The importance of wide and growing markets must be borne in mind in setting prices. Expanding markets in themselves, promise economies that help keep costs and prices in check.

Leaders of labor unions have a particularly critical role to play, in view of the great power lodged in their hands. Their economic actions must reflect awareness that the only road to greater material well-being for the nation lies in the fullest realization of our productivity potential, and that stability of prices is an essential condition of sustainable economic growth.

The terms of agreements reached between labor and management in wage and related matters will have a critical bearing on our success in attaining a high level of economic growth with stable prices. It is not the function of Government in our society to establish the terms of these contracts, but it must be recognized that the public has a vital interest in them. Increases in money wages and other compensation not justified by the productivity performance of the economy are inevitably inflationary. They impose severe hardships on those whose incomes are not enlarged. They jeopardize the capacity of the economy to create jobs for the expanding labor force. They endanger present jobs by limiting markets at home and impairing our capacity to compete in markets abroad. In short, they are, in the end self-defeating.

Self-discipline and restraint are essential if reasonable stability of prices is to be reached within the framework of the free competitive institutions on which we rely heavily for the improvement of our material welfare. If the desired results cannot be achieved under our arrangements for determining wages and prices, the alternatives are either inflation, which would damage our economy and work hardships on millions of Americans, or controls, which are alien to our traditional way of life and which would be an obstacle to the nation's economic growth and improvement.

The chief way for Government to discharge its responsibility in helping to achieve economic growth with price stability is through the prudent conduct of its own financial affairs. The budget submitted to the Congress for the fiscal year 1960, which balances expenditures with receipts at a level of $77,000,000,000, seeks to fulfill this responsibility. If Government spending is held within the limits set in the proposed budget, the growth of our economy at the rate that may be expected would make it possible in the reasonably foreseeable future to provide, through a significant further step in tax reform and reduction, added incentives and means for vigorous economic growth and improvement.

Governmental actions in other areas can also help to maintain price stability as our economy ex-

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Eisenhower Finds Business Good and Offers Inflation Cure

pands. The Congress will be requested to amend the Employment Act of 1946 to make reasonable price stability an explicit goal of Federal economic policy, coordinate with the goals of maximum production, employment and purchasing power now specified in that act. Steps will be taken within the Executive Branch to assure that governmental programs and activities are administered in line with the objective of reasonable price stability, and programs for the enlargement and improvement of public information on prices, wages and related costs and productivity will be accelerated.

The many continuing programs of Government that promote the expansion and improvement of our economy will be administered vigorously. Also, new legislation will be requested to strengthen competitive forces, to enhance personal welfare, to promote integrity in labor-management relationships and to foster better industrial relations, to assist local areas experiencing heavy and persistent unemployment, to make more effective use of the large Federal expenditures relating to agricultural price support, to promote conditions favorable to trade among nations and to assist in the economic growth and development of the free world.

Favorable consideration of these legislative proposals by the Congress will materially help to achieve the goals of vigorous, orderly and sustainable economic progress within a framework of reasonable price stability.

All of our people, in view of their broad common interest in promoting the nation's economic strength, can fully support this program.

DWIGHT D. EISENHOWER

Helm Optimistic On Year Ahead But Alarmed Over Inflationary Trend

Though optimistic about business and banking prospects, Chemical Corn Chairman expresses alarm about price inflation and calls for concerted remedial action by Congress, businessmen, bankers and labor leaders. He also specifies corrective legislation and regulation needed to improve banking.

A brighter outlook for business, especially for banking, is predicted by Harold H. Helm, Chairman of the Chemical Corn Exchange Bank, New York, on the occasion of the bank's 135th annual meeting the past Tuesday, Jan. 20th.

Harold H. Helm

Noting that the over-all demand for credit remained at a high level despite the relapse in business in the forepart of 1958, Mr. Helm stated that "indications point to continued substantial capital spending by industry and an improvement in retail purchasing by consumers. These, together with an anticipated expansion of inventories in many fields, should lead to a strong need for bank lending in 1959," he added.

"The outlook for American business, and especially for banking, in 1959 is brighter than it was a year ago. Even more encouraging are the long-term trends, greatly influenced by an expanding population, steadily rising standards of living, scientific progress and new product development."

Inflationary Factors Cited

In commenting upon the national economic scene, Mr. Helm cited several problems "which should be of grave concern to every citizen." He called attention to excess Federal spending over income and "to the danger that American labor may price itself and its products out of domestic as well as foreign markets."

"Foreign countries have been urged to balance their budgets and maintain a healthy respect for their currencies in order that they might present a sound basis for loans, credits and aid," Mr. Helm said. "Yet, Congress has not faced up to these fundamentals and this has lessened the appetite of our investment community for our own Government's securities. Because of this narrowing public market, the banks have had to carry a larger share of Government bonds in their portfolios than is proper in a sound economy. We commend the Governors of the Federal Reserve System for their constant alertness to the dangers of inflation. . . . A higher respect for our monetary stability is an essentiality today, and it can come only after we provide and maintain a balanced Federal budget.

"England has made great strides in the solution of monetary problems," Mr. Helm observed. "Her ability at this time to allow further currency convertibility is made possible only because she has followed firm and proven principles in her government financing and in her heroic fight against inflation. . . .

"It is high time that Congress, businessmen, bankers and labor leaders together lay the groundwork for an effective anti-inflation campaign. We should all recognize inflation, even in its mildest form, for what it is: A symptom of failure—failure of a nation to govern itself wisely, and failure of its citizens to assume their responsibility for maintaining a sound and stable currency. For the community as a whole, there is no hedge against inflation. The price paid to avoid it is much less than the penalty for accepting it."

Legislation and Regulation

"A modest correction in the unrealistic reserve requirements which the Federal Reserve fixes upon member banks was the most encouraging regulatory development in banking during 1958," Mr. Helm said. However, he felt that these reserves, currently fixes at 18% of demand deposits for the larger banks in New York and Chicago, 16½% for banks in the 48 classified Reserve Cities and 11% for banks in other cities, "are still high."

Chairman Helm declared that "the need for state legislation to enable New York banks to meet the demands of an expanding trade area continues. As long as branch offices are confined to New York City's own corporate limits (Brooklyn, Bronx, Manhattan, Queens and Richmond), our many customers who live or work outside these limits are handicapped in gaining the full benefit of banking at our branches. Remedial action by the Legislature undoubtedly has been delayed by differences of opinion among various groups of banks. However, every effort is being made to reconcile these differences, and it is hoped that state banking laws may be amended soon to permit branch operations throughout Metropolitan New York.

"For several years we have alluded to the unnecessarily high assessment imposed by the Federal Deposit Insurance Corporation and its adverse effect upon earnings. Comment upon this is again warranted. The FDIC's surplus fund now exceeds $1.9 billion. A single year's investment income from this fund is sufficient to cover the FDIC's annual operating expenses plus all losses incurred since its inception on Jan. 1, 1934. Chemical's contributions alone over the last 25 years now aggregate over $23 million, or more than 80% of the $28 million losses sustained in the entire country by FDIC from date of organization through 1957, the latest year for which official figures have been reported. A reduction in the rate of assessment seems more than ever warranted."

Named Director

Eugene H. Catron, a general partner in the investment firm of Shields & Company, has been elected to the board of directors of Borman Food Stores, Inc., it is announced by Tom Borman, President.

With L. L. Blair, Inc.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Mary V. Shields has become connected with Lorraine L. Blair, Inc., 30 North La Salle Street.

W. L. Brokaw Joins Moore, Leonard, Lynch

W. Lee Brokaw has joined the New York office of Moore, Leonard & Lynch, 14 Wall Street, members of the New York Stock Exchange, as a registered representative, it is announced.

Mr. Brokaw has been with Starkweather & Co. for many years. His experience in the securities business goes back to 1923 when he became associated with Harris Forbes & Co.

Siegbert Oppenheimer Opens in New York City

Siegbert Oppenheimer is engaging in a securities business from offices at 106 Fort Washington Avenue, New York City.

With Lee Higginson

Timothy D. Sheahan has joined Lee Higginson Corporation, members of the New York Stock Exchange, as a registered representative in the New York office, 20 Broad Street.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

(1) STANY 1959 Officers—Gambol J. Dunn, Dunn & Rollins, Honorary Chairman; Wilbur Krisam, John C. Legg & Company, Treasurer; Barney Nieman, Carl Marks & Co. Inc., First Vice-President; Bernard J. Conlon, P. F. Fox & Co., Inc., President; Bernard J. Tompkins, Tompkins & Lauren, Counsel; John S. Barker, Lee Higginson Corporation, Second Vice-President; Salvatore J. Rappa, F. S. Moseley & Co., Treasurer.

(2) STANY Advertising Committee—(Seated): Barney Nieman, Carl Marks & Co. Inc.; Nathan Krumholz, Siegel & Co.; Frank J. Ronan, New York Hanseatic Corporation; Bernard J. Conlon, P. F. Fox & Co., Inc. (President); Stanley Dawson-Smith, Cruttenden, Podesta & Co., Chairman; Joseph F. Conlon, J. H. Crang & Co., Vice-Chairman; Edward J. Kelly, Carl M. Loeb, Rhoades & Co.; Alfred F. Tisch, Fitzgerald & Company.

(Standing): Walter Filkins, Troster, Singer & Co.; Elbridge H. Smith, Stryker & Brown; Salvatore J. Rappa, F. S. Moseley & Co.; Leo Brown, Asiel & Co.; Harold Murphy, Gregory & Sons; Irvin Hood, Jr., Lee Higginson Corporation; John S. Barker, Lee Higginson Corporation; John Cirenza, Gregory & Sons; James Gahan, Gregory & Sons; Charles Frede, Grimm & Co.; Richard Portmore, Schwabacher & Co.; D. Raymond Kenney, D. Raymond Kenney & Co.; Joseph H. Billings, Cowen & Co.; William J. McGovern, Blyth & Co., Inc.; David Brill, David Morris & Co.; M. K. S. Altman, H. Hentz & Co.

Pictures taken at first 1959 meetings of STANY officers and Advertising Committee by David R. Mitchell, Hill, Thompson & Co., Inc.

BOSTON SECURITIES TRADERS ASSOCIATION

The Boston Securities Traders Association will hold their thirty-fifth annual dinner on Friday, February 6th, at 7:30 p.m. at the Sheraton Plaza Hotel.

THE MARKET . . . AND YOU

By WALLACE STREETE

Industrial stocks were still irregular in spots this week but enough spotty strength was around at any given moment to keep their average toying with its all-time peak although definitely bumping into much resistance as it neared the 600 mark.

* * *

American Telephone, which has shed the pattern of narrow moves for which it was noted for so many years, was one of the more persistent losers but so far had retreated less than a third of the ground covered after its stock split had become official. That adds up to a loss of some 10 points after it had tacked on 38 since the news was announced.

* * *

To the cynics the fact that it took Telephone 33 years to alter a fixed dividend policy means that it will be a long time before anything more is done for shareholders, and their views were circulated widely. To others the fact that so much of the company's expansion has been financed out of earnings, and so little out of debt, indicated that earnings will continue to be depressed unless there is another shift in policy. And this view was made known generally. But the refusal of the issue to give much ground is another illustration of the reluctance of investors generally to lighten their holdings even at a profit.

More Split Hopefuls

There were plenty of other candidates around to take over Telephone's vacated mantle as the leading split hopeful. Eastman Kodak is in the forefront at the moment and probably will stay there for a month since that is when the next dividend meeting will come along. Superior Oil of California was also prominent on such lists although it was mostly of spectator interest since not too many laymen care to or can dabble importantly with an issue tilting for its old high of $2,000 per share.

* * *

With the industrial average, and some of its components conceded to be at a high level, the searching was in other paths where plenty of obviously neglected candidates still abound.

* * *

One that was a recession and a dividend casualty is International Shoe, the giant of the field. But since retailers turned cautious and lived off their inventories last year, it was a poor one for the entire industry and International had to shave its dividend 25% to a basis of $1.80. The easiness in the stock price kept pace, however, and it is available currently at a relatively high 5% yield.

* * *

Last year the discouraging dividend action made the issue break through its 10-year range on the downside, reaching a price of below $33. It has shown no recovery worthy of the name since, although its current payment is covered amply. A good jump in 1958 sales could indicate the company has turned the corner. Its price-earnings ratio of some 12-times the average earnings of the last several years is conservative.

Investment Companies at a Discount

There was also some attention being given to the investment companies that are available in listed trading, the so-called closed-end funds which both provide the diversification available through the mutual funds and also offer a reverse situation in that many of the listed funds sell at discounts against the premium necessary to purchase the mutuals. The notable exception is Lehman Corp. which has been holding more times than not above its asset value in part because of large unrealized profits in the portfolio and because it is one of the better known.

* * *

Most of the closed-end funds have relatively simple capitalization, some of them newcomers to this category. One where leverage is a factor is Tri-Continental Corp., centered in the warrants. On the basis of the dividend payments from investment income alone last year the recent price has offered an average return of 3.6%. With the payments from security profits the yield moves above 6% which is relatively handsome in view of the 3½% return on the industrial average.

* * *

Low yields aren't always a sign of trouble and ACF-Wrigley Stores, which has shown little market exhuberance, has been busily engaged in expanding. That kept its cash payment moderate but the company lards it with small stock payments which ran 4% in the last couple of years. Operations of this major grocery chain can be reviewed in all justice only for a couple of years since it has only recently emerged out of a flock of independent companies. Last year alone it acquired a chain of nine stores and opened 28 supermarkets of its own, concentrating in areas where population growth is the rule rather than bucking established competition in relatively stable areas. Some projections for this fiscal year are for sales to cross the $400 million line and for earnings to cover the dividend four times over.

Opportunities in Foreign Issues

The foreign companies comparable with our giants have shown little ability to win a solid-core family of American stockholders, except Royal Dutch Petroleum, which judged by its turnover, would seem to have a good trading following in our markets. A domestic outfit that stands to benefit from the proven management of the Philips Electric Company of Holland is Consolidated Electronics Industries, the former Reynolds Spring. Philips' stake in it is 35% ownership.

* * *

Here, again, there hasn't been much time to prove the capabilities of the company since it was only four years ago that the transition to an electronic company backed by Philips ("the GE of the Netherlands") was made, and acquisitions and expansion are still in progress. Like other electronic outfits, Consolidated also suffered a bit through the recession but should have little trouble rebounding now that the economy is expanding. This one is a non-dividend payer but marketwise all the events of the last few years have failed to make any impression since its recent high only approximated the peak reached in 1955.

* * *

Another candidate for a good rebound as business improves is Diamond Gardner which, to some, lost one of its better assets when it merged with Gardner Board and lost the famous name of Diamond Match. That merger came when the economy was already sliding; nevertheless last year's profit seems to have covered the dividend requirement handily and it has been offering an average 3½% return. Its dividend chain, incidentally, stretches well back into the 19th century. Bolstering prospects for a sharp rebound was the opening late last year of a vast forest products mill that should prove a valuable aid to the company's earnings potential. At recent levels the stock has held at almost a dozen points under its 1956 high so that on that basis, at least, it is not among the issues that already have discounted much of the future.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Bache & Co. to Admit New Partners

As of Jan. 31st Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, will admit George W. Meyer and Tony G. Ziluca, member of the New York Stock Exchange, to general partners and Harold C. Price, Jr., and Joe D. Price to limited partnership. Edward B. Conway, limited partner will become a general partner.

Renyx, Field Names S. L. Ross President

Renyx, Field & Co., Inc., 250 Park Avenue, New York City, has elected Samuel L. Ross president. George M. Field, founder of the company and for years its president, was elected to the newly created position of Chairman of the Board.

Samuel L. Ross

Mr. Ross has been a regional manager of Renyx, Field & Co. since 1945 and chairman of the executive committee since 1955.

Francis M. Shaffer has been appointed general sales manager for Renyx, Field & Co.; he had been a regional manager since 1953.

Ross A. Bair and Richard Elkind have been named assistant sales managers.

Dean Witter & Co. to Admit Partners

Dean Witter & Co., members of the New York Stock Exchange, on Feb. 1, will admit William G. Budinger and H. Gerald Nordberg to general partnership. Both will make their headquarters at the firm's Chicago office, 50 West Adams Street.

Ann Witter Gillette, Catherine M. McMahan, Sydina A. Michels, Ellen Moody and Meredith B. Nordberg will be admitted to limited partnership.

Stern & Byck to Admit

Stern & Byck, 50 Broadway, New York City, members of the New York Stock Exchange on Jan. 29th will admit Donald M. Byck, Robert L. Stern and Marjorie Byck Levy to limited partnership. Sidney E. Harris will hold limited partnership as trustee of two trusts dated Dec. 31st, 1958.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Bank Stocks

At the beginning of 1958 most bank stock analysts were not at all sanguine about the continued climb of bank earnings. We were then in the recession period, and with such an economic state of affairs the prospect was for lower interest rates and decreased volume of commercial loans. The combination of factors, of course, normally makes for lower operating earnings.

But 1958 has passed, and, while operating earnings were lower than in 1957 except in three or four cases among the leading New York City banks, the changes were of a quite negligible size, excepting only Chemical Corn Exchange. The average shrinkage in operating earnings in this group were only 1.3%.

The puzzlement is that, given the conditions that obtained during early 1958, the banks did as well as they did do. But other factors entered into the result. Working (or earning assets were higher in the case of every one of the 13 banks, running from a minimum of 2.2% gain over 1957, to a maximum of 14.1%, with an average betterment of 9.3%. Such an improvement over 1957 was a highly satisfactory one, for generally speaking, the banks' average rate of return on loans held up well and ran from about 4.00% to 4.67%; and some gains were made in the average rate of return on government holdings which ranged around 2.25% to 2.75%. An exception was Irving which reported the high rate of 3.58% on its governments; this bank for several years has been running a considerably higher rate of return on its governments.

Finally, with no exception, the large New York banks have reported higher deposit volume for the 1958 year-end over a year earlier, thus giving the banks more funds with which to work. And it is reflected in the pact that the average increase in government bond holdings in 1958 was the important figure of 21.8%. The deposit gain at the year-end was approximately 9.2% on average.

So, it is not as though the banks had no out when a recession develops, for, as indicated this time, they can shift funds from maturing loans and discounts into governments; and, while the return on the latter is ordinarily lower than that on loans, they can justify placing a larger proportion of their funds in governments.

A factor, too, that must not be lost to sight is that, come the recession, the great bulk of loans continues on the banks' books to maturity or renewal, and at the better rates ruling during the boom. Indeed, the 1958 volume of loan accommodation held up remarkably well. Of the thirteen banks only four reported lower loan totals than as of the 1957 year-end; nine showed gains.

The movement of loans to business in this area has been somewhat spotty, without a definite trend. But with the general business tempo tending to pick up, we can probably expect loan volume not to depart much from the present totals.

There seems to be some opinion around that in 1959 interest rates will tend toward slightly higher levels. This thought was voiced at the First National City Bank's annual meeting of stockholders on Jan. 13. At that time the Chairman was "hopeful that the bank's earnings for 1959 would be somewhat better."

It seems to be somewhat of a question whether bank stock prices give full credit at this juncture to the handsome securities profits reported by some of them. Not all of the annual reports have been released as this is written, but a few figures will illustrate. Hanover Bank reported $9,211,000; J. P. Morgan & Co., $2,351,000; Guaranty, $3,774,000; First National City (consolidated), $3,174,000; Chase Manhattan over $22,000,000; Chemical Corn Exchange over $7,900,000; Bankers, $5,323,000.

Now let us look at the 1958 earnings results of these banks:

	—Operating Earnings—			—Securities Profits—			Dividend
	1956	1957	1958	1956	1957	1958	
Bankers Trust	$5.02	$5.64	$5.47	—$0.80	$1.11	$1.32	$3.00
Bank of New York[1]	17.40	19.15	17.22	‡	‡	‡	10.00
Chase Manhattan[2]	3.78	4.24	4.25	—0.58	—0.69	1.68	2.40
Chem. Corn Exch.[3]	3.87	3.86	4.25	—0.29	—1.12	1.24	2.40
Empire Trust[4]	15.55	17.35	16.85	—1.73	0.84	7.37	3.00
First Natl. City[5,6]	5.20	5.02	5.02	—0.51	—0.11	0.27	3.00
Guaranty	4.70	5.21	5.04	—0.09	—0.68	0.63	*4.00
Hanover[7]	3.40	3.75	3.52	0.10	—0.80	2.30	2.00
Irving[8]	2.51	2.78	2.64	—0.49	—0.07	0.03	1.60
Manufacturers	3.59	4.06	4.07	‡	‡	‡	2.20
J. P. Morgan & Co.	21.20	23.26	23.97	—1.65	—1.46	6.71	10.00
New York Trust	5.49	5.94	6.26	---	—0.28	---	*3.75
U. S. Trust	5.46	5.74	5.51	—0.25	—0.36	0.04	3.20

1—Adjusted for 50% stock dividend Sept., 1958. On 160,000 shares 1956 and 1957; 270,000 in 1958. Per share figures not comparable.

2—On 13,000,000 shares 1956; on 13,090,000 in 1957 and 1958.

3—On 5,313,850 shares 1956; on 6,376,590 in 1957 and 1958.

4—Adjusted for Jan., 1958, 4% stock dividend, but not for 4% stock dividend in late January, 1959.

5—On 10,000,000 shares 1956; on 12,000,000 in 1957 and 1958.

6—Includes City Bank Farmers Trust Co.

7—Adjusted for January, 1958, stock dividend of 11-1/9%.

8—Adjusted for January, 1958, 2% stock dividend, but not for 2% stock dividend planned for February, 1959.

*—Includes extra. ‡—Not reported.

Rising Bank Loans and Price Inflation Forecast

J. P. Morgan stockholders are told to expect better loan volume and resulting upward pressure on lending rates if present recovery pace continues. They are also apprised as to why the dollar must be kept sound and as to the principal threats to monetary stability. The Bank's officers recommend further lengthening of Federal debt and curtailment of non-security governmental spending.

The 1959 annual report to the stockholders of J. P. Morgan & Co., Inc., contains an encouraging outlook view of banking and an admonition against allowing our dollar to depreciate.

Henry C. Alexander

H. P. Davison

According to the Chairman, Henry C. Alexander and the President, H. P. Davison, "the background for business in 1958 was one of pronounced movement in the economy. The year started with recession deepening, and this trend continued into the spring. Then the downturn was arrested and recovery began. The resurgence was brisk for a while, then became more gradual. As 1958 ended, the direction of the economy appeared to be moderately upward. The sense of caution engendered by the recession had not been completely set aside, but the general tone of business sentiment was positive, in contrast to that which had prevailed at the start of the year.

The impact of recession was felt less by banking than by many other lines. Money rates softened during the early part of the year, and business used less credit; but these factors were offset to a considerable extent by reductions in reserve requirements, which freed more of banks funds for investment, and by an increase in deposits, principally time deposits."

* * *

Banking results generally were not greatly affected by the recession. In the present recovery phase, the course of bank earnings will depend principally on the speed and vigor with which loan demand revives. Borrowing has not yet rebounded from the recession with much more than normal seasonal force. Interest rates, which have risen rather sharply for long-term credit, have reacted to recovery less markedly in the commercial banking range. This is a normal pattern of response. Assuming that recovery continues its present moderate pace, there should be a gradual but steady improvement in loan volume, with upward pressure on lending rates.

"It is too early to proclaim a return of the boom. But it is not too early to note that resurgence of the economy will bring with it the need again to guard against inflationary forces. The method chosen for reversing the recession was chiefly that of increased government spending, which leaves a stubborn inflationary residue long after its work is done. Action against the downturn was essential; but the choice of countermeasures, regrettably, implanted in the recovery seeds of potential new inflation.

"Two principal threats to monetary stability at present are deficit spending by the Federal government and the huge overhang of short-term Federal debt. Neither will yield to easy remedies. The overriding needs of national security—reflected both in military programs and in foreign economic aid—will keep the national budget under strain. The best hope of achieving balance seems to lie in curtailing non-security spending.

"The weight of short-term Federal debt, with its recurrent need of refunding tends to frustrate attempts at credit restraint. The Treasury made some progress during the past year in lengthening the maturity of a small part of the public debt. It is ironic to find even such mild action criticized as disturbing the bond market, when the need has been for much more frequent issues of long-term bonds in moderate amounts and at interest rates that will attract investment funds. The Treasury should be praised for what it has done to extend maturities, and encouraged to do more.

Keeping Dollar Sound

"The cruelties and injustices worked by a depreciated dollar need no detailing. Two special consequences threatened by any appreciable further inflation, however, require mention. This country's status as an exporter of goods has already been hurt by inflated costs. It will be hurt more if the spiral is allowed to resume. Our nation's domestic prosperity, as well as its world economic role, needs a vigorous foreign trade, with a large volume of both imports and exports.

"A resumption of inflation in any considerable degree could eventually lessen world confidence in the dollar. As a principal banker to the trading nations of the free world, the United States must maintain the soundness of its currency. The outflow of gold from the Treasury's stock during the past year is not in itself a sign of lessened esteem for the dollar. Our extension of foreign loans, our foreign aid, and our military expenditures abroad helped to make our balance of payments adverse, and we lost gold in the ordinary course of business. But the dollar remains the world's measure of value. In spite of welcome steps toward limited convertibility, many foreign countries still restrict capital exports and remittances by their residents, and discriminate against imports of American goods. The dollar, on the other hand, is truly convertible, by residents or nonresidents, for capital or current account. It must continue to be so. The soundness of America's currency is essential to the welfare of the free world."

Butler, Herrick Opens Mutual Fund Dept.

Butler, Herrick & Marshall, 30 Broad Street, New York City, members New York Stock Exchange and associate members American Stock Exchange, announce the opening of a new department devoted to the sale of mutual funds. Col. Robert B. Anderson, U. S. A., (retired) who recently jointed the 61-year old investment firm, is Manager of the new department.

Prior to joining Butler, Herrick & Marshall, Col. Anderson was associated with Washington Planning Corp. of New York, as director of military sales.

Butler, Herrick & Marshall also maintains branch offices in Riverhead and Westhampton Beach, Long Island.

NASD District 12 Elects A. C. Purkiss

Albert C. Purkiss, senior Vice-President, Walston & Co., Inc., New York, was elected Chairman for 1959 of District Committee No. 12 of the National Association of Securities Dealers. He succeeds W. Scott Cluett, Vice-President, Harriman Ripley & Co., Inc., New York. The District comprises the States of Connecticut, New York and a part of New Jersey.

Albert C. Purkiss

Elected as Vice-Chairmen were Gustave A. Alexisson, partner, Granbery, Marache & Co., New York, and Edward H. Lard, III, of The First Boston Corporation, New York.

George E. Rieber is Secretary of District Committee No. 12.

Two With Inv. Service

DENVER, Colo.—Van H. Hanell and James R. Stone are now with Investment Service Co., 916 Broadway.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Treasury in its new money operations came out very well, both issues, the 3¼s of May 15, 1960 and the 4s of Feb. 15, 1980, being well oversubscribed. The return on both securities was considered to have been on the ample side, which would make them attractive to those that have investment funds to put to work. However, at the present time there is not too much of an appetite for fixed income bearing issues, whether they be Governments or non-Federal obligations, because of the desire on the part of individuals and institutions to purchase equities as a hedge against inflation.

The 47% allotment on the 3¼% notes was about in line with what the money market expected. As against this, the subscribers to the 4% bonds were given varying allotments, with savings type investors getting 70%, commercial banks 35% and all others 15%. Subscriptions for $25,000 were made 100%. The treatment given the buyers of the 4% bonds was considered to have been a bit on the full side.

New Bond Favorably Priced

The new money raising operation of the Treasury went over very well, and this was what the financial district was looking for since the return that was available in these new issues was on the generous side. The long-term 4% bond due Feb. 15, 1980 is considered to be a desirable obligation for those who have savings type of funds for investment. It is evident that the 4.07% yield which was available in the new bond, gives it a very favorable position in the whole range of funded issues, whether they be corporate or tax-exempt securities.

The spread between the yield on the new Government bond and recently floated corporate obligations indicates that the new Treasury security was priced to meet the competitive money market conditions. In addition, the maturity of the new Government bond is favorable, since the 21 years it has to go to the due date is shorter than those of many corporate and tax-free issues which have been coming into the market for sale. On the other hand, the 1980 maturity date is still long enough to meet the needs of those institutional buyers that are not attracted to medium-term issues.

The fact also that it is not callable before maturity is not an adverse feature.

New Note Sold by Commercial Banks

The 3.25% note, which was used in the new money raising operation of the Treasury, was well received even though it went down from the issue price of 99¾. This decline was due principally to selling by the commercial banks, who could afford to take a small loss of a few thirty-seconds, because the deposits which will stay with them for about three weeks will offset this.

More Longer Treasury Issues Expected

In spite of the apparent attractiveness of the new 4% bond, it went below the issue price of 99 because it seems as though the Treasury's new money and refunding operations will be tied in with the policy of the Federal Reserve Board, and this probably calls for the offering of more bonds at higher yields, even though they may not be of the long-term variety such as this recent flotation.

It seems as though an effort will be made by the monetary authorities in its operations in the money markets, and the Treasury in its debt management, to retard if not stop the forces of inflation, which is the real menace to the American economy. This most likely means the use of issues by the Treasury that will tap the resources of the ultimate investor and in this way the money supply will not be added to.

In its recent new money raising operations, the Treasury has been able to do this through the use of short-term issues, which have been sold in the main to corporations and this has meant only a shift in deposits and not the creation of new ones. However, with the improvement in business, many of these concerns will have to use the funds which have been invested in near-term Governments for their own business needs and this will eliminate a large buyer of short-term Treasury issues which have been sold to finance the deficit.

Multiple Offering Seen in February

In the coming February refunding operation, it is evident that the Treasury will offer a short-term issue, probably a certificate in order to take care of the needs of the Central Banks, who own about $6,000,000,000 of the February maturities. The balance of approximately $9,000,000,000, which are held outside of the Federal Reserve System, will most likely have an option to take not only short-terms but also medium-term obligations. It is believed that the Treasury will attempt to sell issues that will help to extend the maturity of the Government debt and at the same time put in operation a debt management policy which is in keeping with the efforts of the money authorities to slow down the forces of inflation.

Godfrey Putnam Parkerson

Godfrey Putnam Parkerson, 73, of South Orange, N. J., Executive Vice-President and a director of Calvin Bullock, Ltd., passed away Jan. 16 at the home of his daughter, Mrs. Carrol Kennedy.

Mr. Parkerson joined the Bullock organization in Denver in 1916 and became one of the leading figures in the American investment company movement which developed during his lifetime. He was an officer of six investment companies — Bullock Fund, Ltd.; Canadian Fund, Inc.; Canadian Investment Funds, Ltd.; Carriers & General Corporation; Dividend Shares, Inc., and Nation-Wide Securities Company—at the time of his death.

Reynolds Appoints

CARMEL, Calif. — Stanley E. Ewig has been appointed Acting Manager of the local office of Reynolds & Co., Jorgenson Building. W. C. Aldous, formerly Branch Manager, will continue with the firm as a registered representative.

From Washington Ahead of the News

By CARLISLE BARGERON

It is not of record that Mr. Roosevelt ever tried to balance the budget except for the first three months he was in office, but had he tried you can bet your boots that he would have dramatized it in a way to make it catch on with the public. He would have conjured up greedy interests who were ready to bring on inflation to squeeze the common man to death. He would have had those millions of followers of his threatening the lives of these greedy interests; there would have been strikes against them; they would have been pilloried.

Carlisle Bargeron

Mr. Eisenhower has none of this flair, which is not necessarily in his disfavor. But as he goes into his budget balancing now — and that is a euphonious term, because it can't be balanced, only brought closer to a balance—it behooves him to adopt some of the Roosevelt tactics.

He should bring old ladies on the radio to tell how they were having a hard time eking out an existence; Roosevelt did these things. He once denounced a safety razor millionaire as being so unwilling to pay taxes to his country that he had taken up residence in Canada. There were only two or three of these big safety razor manufacturers in the country so it was not hard to tell whom he meant.

Eisenhower should send out all of his henchmen to the various racial groups and demand that if they intended to enjoy his favor they had better get on the band wagon. Roosevelt did this. He had the country thoroughly organized. He could call in the labor leaders and get the entire CIO behind him, secondarily the AF of L. But, of course, he was giving money away. Eisenhower is trying to stop this. He won't be able to muster all of the Republican votes behind him. It is a two to one bet that he will not be able to raise the first class postal rate—or to bring about an increase in gasoline taxes.

Roosevelt could have called in the farm leaders, knocked their heads together. Eisenhower, instead, will have them on his neck for cutting farm appropriations.

So when you speak of Roosevelt as a great leader and Eisenhower as no leader at all you have got to figure the different atmospheres in which they operated.

Already there are editors who are openly sneering at the Eisenhower budget; editors and Congressional critics. Eisenhower doesn't seem to realize, they say, that this country has unlimited possibilities of growth if he will just remove the restraining hand. They speak of our population increases to come and the need of a government to grow with them.

It would be a catastrophe in more ways than one if we were to have another war at this time. Most people think of it in terms of flying missiles and falling bombs. But the debt of $283,000,000,000 would be doubled. When we went into World War II we had a national debt of only $22,000,000,000. Look where it has gone to since in the brief period of 17 or so years. The annual interest on the Federal debt is $8,000,000,000, the second largest item in the budget. If another war did not wreck us with missiles and bombs the ensuing debt would certainly destroy us.

Yet the Russian deputy minister said just before leaving that if we were to attempt to gain access to Berlin by force it would be met by force. That means, if he sticks to his guns, that there certainly will be a conflict in about five months.

Mikoyan said this under stress, however. He had just been given the cold shoulder at the State Department in the matter of credits. He was also chafing under the sharp questioning he had on Sunday night's Meet the Press, by Larry Spivak, the program's owner.

At the last moment Mikoyan's visit didn't turn out so well. It was apparent that he came to arrange for increased trade. On this the answer was "no."

Morgan Stanley to Admit Hall & Parker

Morgan Stanley & Co., 2 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 1st will admit A. Douglass Hall and H. Lawrence Parker to partnership.

Form Federal Secs.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Federal Securities Corporation has been formed with offices at 7805 Sunset Boulevard to succeed to the Securities business of James L. Fallon. Officers of the new corporation are James L. Fallon, President; Thomas E. Dougherty and James E. Ryan, Vice-Presidents; and Herbert H. Meyer, Secretary-Treasurer.

V. K. Osborne Sons Opens

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—V. K. Osborne & Sons, Inc. has been formed with offices at 231 South Beverly Drive to engage in a securities business. Officers are Vivian K. Osborne, President; Robert M. Kolodkin, and Harvey Deutschman. Mr. Osborne was formerly with Cantor, Fitzgerald & Co., Inc.

Now Howard Saks Co.

The investment business of Howard J. Saks, 100 William St., New York City, is now being conducted under the firm name of Howard J. Saks Company.

With Schweickart Co.

Solly R. Zimmerman has become associated with Schweickart & Co., 29 Broadway, New York City, members of the New York Stock Exchange.

$15 Million Issue of Kingdom of Denmark Bonds to Be Marketed

Will be underwritten by Kuhn, Loeb; Smith, Barney; Harriman Ripley-Lazard Freres Investment Banking group.

The Kingdom of Denmark on Jan. 16 filed with the Securities and Exchange Commission a registration statement relating to a proposed public offering of $15,000,000 fifteen-year external loan bonds about Feb. 5 by an underwriting group to be headed by Kuhn, Loeb & Co., Smith, Barney & Co., Harriman Ripley & Co., Incorporated and Lazard Freres & Co. The bonds will be direct, unconditional and general obligations of the Kingdom. Principal and interest will be payable in New York City in United States currency.

The bonds will be the only outstanding publicly-held dollar bond issue of the Kingdom of Denmark and its first public dollar bond issue since 1928.

Concurrently with the public offering of bonds the International Bank for Reconstruction and Development (World Bank) is expected to agree to lend the equivalent of $20,000,000 to the Kingdom of Denmark.

The bonds to be offered to the public will be noncallable for ten years except through operation of the sinking fund. The sinking fund will commence in 1963 and will be designed to retire 100% of the issue by maturity.

Net proceeds of the sale of the public bond issue will be added in the first instance to Denmark's foreign exchange reserves. It is intended that the proceeds will be applied to the acquisition of capital equipment required for the development of the Danish economy. Proceeds of the World Bank loan will be used to finance part of the cost of electric power projects being carried out in Denmark by two municipalities and four public utility enterprises.

Form Lisco Corp.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Lisco Corporation has been formed with offices at 104 South Michigan Avenue to engage in a securities business. Officers are Virgil E. Griffin, President; Robert P. Branch, Vice-President and Treasurer; Maurice F. Brennan, Secretary.

Form Evergreen Secs.

PORTLAND, Oreg.—Evergreen Securities, Inc. has been formed with offices at 4314 Northeast 96th Avenue to engage in a securities business. Officers are Milton Rosenthal, President; Milton Weinberg, Vice-President; and Phillip Schwary, Secretary-Treasurer.

Public Utility Securities

By OWEN ELY

Alabama Gas Corporation

Alabama Gas Corp. serves gas to 49 municipalities in Alabama, the total population in the area being about 1,000,000. Principal cities served are Birmingham, Montgomery, Gadsden, Tuscaloosa, Selma and Anniston. Important industries in the territory include steel and iron, chemicals, cement, ceramics, cotton and textiles, livestock raising, etc.

Revenues are 65% residential (including house-heating), 13% commercial, 20% industrial, and 2% miscellaneous. About a year ago the company, with the help of outside specialists, made a complete study of its merchandising and sales promotion department, which was reorganized as a result. The Sales Supervisory force was expanded and a new section was established for the promotion and sale of year-round gas-fired air-conditioning units. (Arkla-Servel, manufactured by Arkansas-Louisiana Gas.) Within a short time the department sold 81 air-conditioning systems at an average price of about $2,000, even replacing electric heat pumps in some cases. With additional types of gas appliances becoming available, the company thinks that consumer acceptance will be accelerated. Gas-fired air-conditioning is one of the most desirable loads in that, without additional investment by the company in distribution facilities, such installations will actually use more gas for cooling in off-peak summer months than they will use for heat during the heating season.

Industrial load is also expected to benefit by the increase in manufacturing activity. Industrial revenues have doubled in the past decade, while residential and commercial (with the benefit of space-heating) nearly tripled.

To meet this continued growth the company will need additional gas. Thus far it has not been able to develop any worthwhile storage space, but new propane gas facilities are being installed to help with peak shaving. Last June the company and its supplier, Southern Natural Gas, reached an agreement to increase gas supply to 326 billion cf daily by November, 1959, compared with the previous figure of about 302 billion cf; and it was also hoped that a further increase to 371 billion cf could be obtained by 1960.

In the fiscal year ended Sept. 30, 1958, average selling prices were as follows per therm: residential 9.1¢, commercial 5.6¢ and industrial 2.7¢, with an average of 5.7¢. Average cost was 2.7¢ per therm, or about 28¢ per mcf.

Capitalization as of Sept. 30, 1958 was 56% long-term debt, 4% preferred stock, and 40% common stock. Construction expenditures in the last fiscal year were $5.2 million and are estimated at $5.0 million for the current year. The company has an $8 million revolving bank credit available up to Oct. 15, 1960, of which about one-quarter had been used up to October. It is currently selling privately $2 million worth of 6% preferred stock, proceeds to be used to reimburse the redemption cost of $1,448,000 $3.50 preferred stock.

Southern Natural Gas revised its rates last April so that the cost of gas to Alabama Gas was increased by about $2.8 million per annum, or 21%. In anticipation of this increased cost the Alabama Public Service Commission authorized the company to place a temporary surcharge on its existing rates, sufficient to offset the increase. However, the Commission also ordered the company to file new rate schedules and the company in June asked for an over-all increase of about $4.2 million. In September the Commission rejected the proposed rates and reduced the amount of increased revenue by about $1.8 million—the resulting increase being about $665,000 less than the company would have received under the rate surcharge originally allowed in April. The company promptly filed an appeal from the Commission's order with the Circuit Court. On Oct. 13 the Court granted a writ of *supersedeas* authorizing the company to place in effect the rates filed by it on June 12. The difference is being collected under bond, subject to possible refund.

The company's appeal to the Circuit Court is based on a requested return of 6.5% on a rate base of about $56 million, compared with a return of less than 6% (after allowing for certain accounting adjustments) allowed by the Commission on a rate base of $47.5 million. Both rate bases gave weight to fair value, since net original cost approximated $40 million. Court hearings are scheduled to begin Feb. 9.

The earnings record in the past decade has been as follows:

Years Ended Sept. 30	Operating Revenue (Mills.)	Weather % of *Normal	Common Stock Record— Earnings	Dividends	Price Range
1958	$32.49	116	$2.56	$1.60	34 –24½
1957	27.18	79	2.18	1.60	35 –23½
1956	27.81	103	2.40	1.39	38½–33½
1955	24.16	96	2.02	1.28	38½–27
1954	21.86	98	1.79	0.92	29½–17
1953	19.90	89	1.33	0.80	18½–13½
1952	18.46	97	1.32	0.80	10½–10½
1951	16.79	95	0.97	0.80	----
1950	14.15	92	1.42	0.90	----
1949	12.00	84	1.24	0.60	----
1948	10.90	---	0.72	0.60	----

*Based on degree-days indicates average amount of colder-than-normal temperature.

Probably about 25¢ of the $2.56 earned in the fiscal year ended September was due to record cold weather. Earnings for the first quarter of the new fiscal year (3 months ended Dec. 31) are reported at only 30 cents vs. 70 cents in the like period of 1957, apparently due to warm weather in the early part of the heating season. (Since that date, however, colder weather has probably prevailed, though perhaps not in excess of the earlier year's.)

The stock has been selling on the Stock Exchange recently around 34½ (range in 1958-9, 34½-24½). It will be noted that (differing from most other gas stocks) Alabama Gas is still selling slightly below the 1957 high and well below the highs of 1955-6. Possibly in earlier years the proxy fight may have affected the price of the stock; the management won this fight and it is understood that opponents have disposed of their holdings. The fight was over the issue of selling the company's assets to municipalities. The stock is selling at about 16 times recent earnings, and the current $1.60 dividend rate yields about 4.6%.

Securities Salesman's Corner

By JOHN DUTTON

Advertising Suggestions

There is a time to advertise certain types of securities to obtain the maximum response and the most qualified leads for your sales organization. This week's column is based upon a test of newspaper ads that were prepared by the writer and the facts speak for themselves. One ad offered a list of tax exempt bonds and, although it was the same size ad, and it appeared in the same paper, used the identical type-style and I believe was concisely written, it only produced three replies, whereas a similar size ad, also with coupon attached, that offered five growth stocks for 1959 brought in over 100 replies. This is the time to offer growth stocks to your investing public. People are not interested in fixed income investments to the same extent as they are in capital appreciation at this time.

If You Live In a Growing Area

There are some exceptional growth areas in this country today, such as California, Florida, Arizona, Long Island, N. Y., the Delaware River area of Pennsylvania, and many parts of the middle west, south, and the great Northwest. In fact the whole United States is growing and the population figures tell the story. Where there is growth there are electric utility companies, banks, food chains, insurance companies, natural gas companies, and such basic enterprises must grow with the area they serve. People are aware of this today and they are buying a piece of the future when they invest in these companies and they are hungry to learn more about them.

Select certain of your most important local industries and make up a campaign around them. Advertise your growing electric utility, your natural gas company, your food chain, your leading bank, and offer factual reports descriptive of these companies which tell more than the bare figures of past accomplishment which, alone, are not unimpressive. Get behind the figures if you can, and obtain management's projections and plans for the future and sell yourself first on whether or not current market prices are realistic when compared with anticipations of earnings that may develop in 1962 and 1965.

Prepare a well planned advertisement that has some sell in it. Tell your public how long you have been serving investors in your area, tell them you believe you know something about the stocks of the leading, basic industries in your own backyard, and pick out three to five of them and offer up-to-the-minute factual reports without obligation. If such an ad WITH COUPON FOR REPLY is well written and it is carried on the financial page of your home town paper, preferably on a Sunday, and possibly followed on Tuesday or Thursday, you should see some results that may surprise you.

Quality of Leads

As usually follows such advertising, you will receive a certain number of replies from curiosity seekers, students interested in finance, and people who are not qualified prospects. But the results from the advertising referred to, which has just been concluded by us, have already produced some substantial accounts. Some people even took the trouble to come into the writer's office with the advertisement in their hand; many others telephoned for the reports. There is no better time to offer SPECIFIC STOCKS that have a reasonable opportunity for growth over the longer term (especially when they are well known local companies) than during such a period of widespread public interest in common stocks as we are having now.

Unfortunately we cannot send copies of the advertisement that we have discussed in this week's column which produced such exceptional results. However, we would suggest that you put one of your better copy writers to work on this idea, and if possible obtain the services of a competent agency to help you with a good layout, plenty of white space, and an appealing type-style. The ad size used was not too large; we used three columns by about six inches. The opportunity for increasing your clientele is available today and your salesmen should be able to develop some very satisfactory business from the leads you will receive if your advertisement has some "Sell" in it, and the growth stocks you select are attractive and **well known in your area.**

* * *

I believe the public interest in capital appreciation is so great today that an advertisement offering a growth utility in a growing area (even if your market is in a less dynamic location) could produce a large response. Such an advertisement in one of the nation's foremost financial dailies brought in hundreds of replies from all over the nation when this type of advertisement was used to offer a report on a certain natural gas pipeline which is soon to carry gas to the state of Florida.

Andrews Posner Partner

John George Pflungfelder will be admitted to partnership in Andrews, Posner & Rothschild, 52 Wall Street, New York City, members of the New York Stock Exchange on Jan. 29th.

Filor, Bullard to Admit

Filor, Bullard & Smyth, 26 Broadway, New York City, members of the New York Stock Exchange on Jan. 29th will admit Harry J. Southwell, Jr., and John J. Southwell to limited partnership in the firm.

Laurence Marks Partner

Laurence M. Marks & Co., 48 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 1st will admit Elizabeth Ayer Newman to limited partnership.

Hecht Partner

Julius F. Mercandino has become a partner in Hecht & Co., 14 Wall Street, New York City, members of the New York Stock Exchange.

Schneider, Bernet Branch

EL DORADO, Ark.—Schneider, Bernet & Hickman, Inc. has opened a branch office at 108 South Washington, under the management of James W. Matheney.

NEWS ABOUT BANKS AND BANKERS

- CONSOLIDATIONS
- NEW BRANCHES
- NEW OFFICERS, ETC.
- REVISED CAPITALIZATIONS

The First National City Bank of New York announced a reassignment of several of its National Division officers.

Burton J. Lee, Vice-President, has been reassigned from the Indiana-Michigan District to become head of the Middle Western District which includes the states of Colorado, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota and Wyoming. Richard E. Thomas, Vice-President, formerly in charge of this District, has been assigned to one of First National City's largest New York City branches at Lexington Avenue and 42nd Street.

William F. Cordner, Vice-President, has been transferred from the Chemicals, Metals and Manufacturing District to the Indiana-Michigan District where he will be associated with Mr. Clifford D. Rahmer, Vice-President, who continues to supervise this District as well as the Kentucky-Ohio District.

Recent promotions in the National Division include the appointment to Senior Vice-President of the following officials: C. Sterling Bunnell, E. Newton Cutler, Jr., Robert G. Fuller, Robert L. Hoguet and Frederick C. Windisch, all formerly Vice-Presidents. Newly elected Vice-Presidents include Stephen C. Eyre (Illinois-Wisconsin District); P. Henry Mueller (formerly Central Atlantic District) in the Economics Department; and Robert P. Graham (Transportation Department).

* * *

The First National City Bank of New York announced that on Jan. 26 it will open a second branch in **Singapore** to be located at Shaw House on Orchard Road. It will be the bank's 75th overseas branch, office or affiliate.

* * *

The appointments of George Schor as an Assistant Vice-President and of Leslie R. De Nike and Edward A. Farley, Jr. as Assistant Secretaries of **Manufacturers Trust Company, New York**, are announced by Horace C. Flanigan, Chairman of the Board.

Mr. Schor joined the bank in 1937. He was appointed an Assistant Manager in 1948, a Branch Manager in 1951, and an Assistant Secretary in 1952. At present, Mr. Schor is Officer in Charge of the bank's office located at 37 Avenue B, New York.

Mr. De Nike began his banking career with the **National Bronx Bank** in 1946, and joined Manufacturers Trust Company with the merger of the two banks in 1949. He was appointed an Assistant Manager in 1955. At present, Mr. De Nike is assigned to the bank's office located at Fifth Avenue and 18th Street.

Mr. Farely joined the bank in 1951 and was appointed an Assistant Branch Manager in 1956. At present, Mr. Farley is assigned to the main banking floor of the bank's head office, 44 Wall St.

Mr. Flanigan also announced the appointment of Alberta Irene Hayes as an assistant branch manager. With the appointment of Miss Hayes, Manufacturers Trust Company now has a total of 27 women officers.

Miss Hayes joined Manufacturers Trust Company in 1950 with the merger of the **Brooklyn Trust Company**, and was appointed a platform assistant in 1952 at the bank's Jamaica Office. She will continue with her present duties at the Jamaica Office, 159-17 Jamaica Avenue, Queens, N. Y.

* * *

UNDERWRITERS TRUST CO., NEW YORK

	Dec. 31,'58	Sept. 24,'58
Total resources	$44,379,497	$45,027,686
Deposits	40,494,671	38,094,634
Cash and due from banks	6,024,865	5,457,156
U. S. Govt. security holdings	22,358,940	22,459,312
Loans & discounts	13,346,935	13,493,125
Undivided profits	1,651,072	1,624,613

* * *

The Hanover Bank, New York, has announced the promotion of Harry P. Barrand, Jr., Craig S. Bartlett and John B. Henneman to Senior Vice-Presidents. All were formerly Vice-Presidents.

Mr. Barrand is in charge of Hanover's foreign division. Mr. Bartlett administers the bank's investment portfolio. Mr. Henneman is in charge of personnel administration.

Advanced from Assistant Vice-President to Vice-President were Frank W. Kaestner, corporate trust; Herman A. Streller, operations; and Fred G. O. Wernet, personal trust.

Appointed Assistant Vice-Presidents were Thomas F. Cullen, John E. Hardy, Wesley Simmons, William F. Dralle, Edward A. Murphy, Daniel B. Phelan, L. Abbett Post, Jr. and Eldon R. Wallingford.

* * *

George T. Davies has joined the International Banking Department of **Bankers Trust Company, New York**, as a Vice-President, it was announced Jan. 14, by William H. Moore, Chairman of the Board.

Mr. Davies recently resigned as a director of the **Bishop National Bank of Hawaii**.

* * *

Announced was the election of Hugh R. Chace, Vice-President of the **Bank of New York**, as head of the banking division. Elliott Averett, Vice-President, succeeds Mr. Chace as coordinator of business development of the commercial banking division, and also was appointed a member of the Bank's credit committee.

* * *

Major-General George Olmstead has been elected a Director of the **Industrial Bank of Commerce, New York**, it was announced on Jan. 21 by Walter E. Kolb, President.

* * *

J. Henry Schroder Banking Corporation and Schroder Trust Company, New York, have announced the appointment of G. van Tienhoven as their Representative for Argentina and Uruguay.

* * *

THE CORPORATION TRUST CO., N. Y.

	Dec. 31,'58	Sept. 24,'58
Total resources	$4,088,133	$3,804,133
Deposits	608,353	327,279
Cash and due from banks	1,672,571	2,072,668
U. S. Govt. security holdings	380,650	380,641
Undivided profits	450,115	596,419

* * *

The Grace National Bank of New York, on Jan. 19, announced appointment of Joseph G. Burrough as Cashier. Mr. Burrough, a 52-year-old native New Yorker, has been with the Grace National Bank for 34 years. He was named an Assistant Cashier in 1936 and an Assistant Vice-President in 1951.

The bank also appointed Thomas T. Brekka as Assistant Trust Officer and John M. Bosworth, Daniel G. Fitch and Frank J. McDonough as Assistant Cashiers.

* * *

Allen S. Rupley, Executive Vice-President and Director of W. R. Grace & Co., has been elected a Director.

Mr. Rupley served for about 10 years on the staff of the **Grace National Bank of New York** during the early part of his 42 years with the Company. He has been in charge of Grace offices in San Francisco and in Central America and became Treasurer of W. R. Grace & Co. in 1948.

He was elected as an Executive Vice-President and Chief Financial Officer in 1955 and is presently Executive Vice-President with broad corporate responsibilities. He is a member of the Finance and Appropriations Committee.

* * *

Elected Senior Vice-President of **Pennsylvania Exchange Bank, New York**, was George J. Gross.

* * *

Milton T. Vanderveer, Chairman of the **Lafayette National Bank of Brooklyn, New York**, announced the election of William J. Kent, Jr., John H. Muller and Otton Klitgord as Directors.

* * *

Bank of Babylon, Babylon, N. Y., was given approval to increase its Capital Stock from $573,750 consisting of 57,375 shares of the par value of $10 each, to $751,130 consisting of 75,113 shares of the same par value.

* * *

The Annual Stockholders' Meeting of **National Bank of Westchester, White Plains, N. Y.**, was held on Jan. 15.

A increase in the capital stock of the Bank by the declaration of the special 4% stock dividend was approved by a majority of the shareholders and the dividend was formally declared at the organizational meeting of the Board immediately following the shareholders' meeting. Subject to the approval of the Comptroller of the Currency, this stock dividend will be paid February 20, to shareholders of record as of Jan. 21, and will increase outstanding shares from 715,750 to 744,380.

* * *

W. R. Gillies has been elected President of the **Marine Midland Trust Company of Rockland County, Nyack, N. Y.** at a week-end meeting of the bank's Board of Directors. Mr. Gillies, who has been Executive Vice-President, succeeds Gregory W. Spurr, who was elected Chairman of the Board.

Mr. Gillies has been an officer of the bank since 1933, and prior to that was active in the investment bond business in New York City, associated with Halsey Stuart and Company.

Other members of the bank's official staff elected were announced as follows: Edward T. Lovatt, Executive Vice-President and Secretary; Richard B. Barnett, Senior Vice-President; Peter Dudan, Vice-President and Treasurer; Bradford M. Johnson, Vice-President & Trust Officer.

* * *

Rockland-Atlas National Bank of Boston, Mass., is offering the holders of its outstanding capital stock rights to subscribe for 40,000 additional shares at $38 per share at the rate of one new share for each six and one-half shares held of record on Jan. 20, 1959. A group headed by The First Boston Corporation will purchase any unsubscribed shares at the termination of the offer on Feb. 4.

Proceeds from the sale of the new capital stock is to be added to capital funds. Adjusted to reflect the gross proceeds of the sale of the additional shares and an intended transfer to surplus from undivided profits, combined capital and surplus of the bank as of Dec. 31, 1958 would be $10,000,000, and total capital funds would be in excess of $11,000,000 exclusive of reserves.

* * *

The Comptroller of the Currency in Washington gave official approval to the application for a National Bank Charter ratified by stockholders of **Worcester County Trust Company, Worcester, Mass.**, at the adjourned special meeting originally called for Jan. 2.

Speaking for **Worcester County National Bank**, as it will now be known, Edward L. Clifford, President, expressed the gratification of the Board of Directors and the stockholders at the prompt action of the Comptroller of the Currency.

* * *

The Connecticut Bank and Trust Company, Hartford, Conn., and **The Manchester Trust Company, Manchester, Conn.**, merged under charter and title of The Connecticut Bank and Trust Company.

* * *

Frederick Z. Board, Chairman of the **Citizens First National Bank and Trust Company, Ridgewood, N. J.**, died Jan. 14. His age was 79. Mr. Board started his banking career with the **First National Bank of Paterson, N. J.**, and assisted in the organization of the **Ridgewood Trust Company** as Assistant Secretary. He was later elected Secretary.

In 1920, he was an organizer of the Citizens National Bank, serving as its Cashier. In 1929 Mr. Board became President.

* * *

John R. Abernethy, Assistant Vice-President of the **Mellon National Bank and Trust Company, Pittsburgh, Pa.**, has been appointed Assistant Vice-President and Manager of the bank's Charleroi Office according to an announcement by Frank R. Denton, Vice-Chairman.

* * *

The new Shadyside Office of **Western Pennsylvania National Bank, McKeesport, Pa.**, is the first banking office in Pennsylvania to adopt the new method of "No Passbook Savings Accounts."

M. A. Cancelliere, President of WPNB, predicts that within a few years, many banks throughout the state will adopt the system, which eliminates use of a savings passbook. Under the new system, savings customers receive receipts similar to the ones given checking-account depositors.

* * *

George R. Heroz, Vice-Chairman, was elected Chairman and Chief Executive Officer of the **Union Commerce Bank, Cleveland, Ohio.** He will succeed John K. Thompson, who will retire on April 1, but will continue as a Director and as Chairman of the Executive Committee.

Mr. Heroz joined the bank in 1938 and was elected Vice-Chairman in 1956.

* * *

Richard J. Wade has been appointed Manager of the new Foreign Department, Mervin B. France, President of **Society National Bank, Cleveland, Ohio**, announced on Jan. 15.

* * *

GEORGIA RAILROAD BANK & TRUST CO. AUGUSTA, GEORGIA

	Dec. 31,'58	Dec. 31,'57
Total resources	$62,056,848	$54,495,765
Deposits	57,169,720	50,045,276
Cash and due from banks	13,083,387	12,614,757
U. S. Govt. security holdings	13,470,807	10,074,740
Loans & discounts	28,358,986	27,022,041
Undivided profits	556,953	801,001

* * *

THE FIFTH-THIRD UNION TRUST CO. CINCINNATI, OHIO

	Dec. 31,'58	June 30,'58
	$	$
Total resources	373,373,181	367,987,671
Deposits	337,825,580	332,726,957
Cash and due from banks	85,446,002	76,393,511
U. S. Govt. security holdings	114,014,220	114,285,048
Loans & discounts	154,279,376	158,256,122
Undivided profits	5,444,917	4,603,995

Continued from first page

As We See It

paid off. Meanwhile, rent control has often added its influence to other factors tending to induce neglect of existing structures and the creation of what is now termed slums.

How Ill-Housed?

Whether one-third of the people are now or ever have been "ill-housed," as Franklin Roosevelt once proclaimed with much gusto, depends, naturally, upon the standards of housing employed in the determination of inadequacy. There are many, particularly in crowded urban areas, who do not have the sort of housing that one could wish. Of that there can be no doubt. Even more certain is the fact that a very substantial number of people do not enjoy the sort of housing they would like to have—any more than they have other things of the sort and in the quantity they desire—and housing is one of the more basic needs of human beings. It is, therefore, not difficult to understand how the paternalistically inclined among us are so ready to support proposals for largesse in housing, and even less difficult to understand how the provision of better housing out of the public purse can be a popular political demand, at least among those members of Congress who hail from areas where the problem tends to be critical.

But here as in so many other aspects of human affairs it is not wise to permit our emotions or our good will to get the better of our judgment. There are many other things, too, that people need, and the people who need them are usually taxpayers who are required to provide the funds for these grandiose housing programs. The mere fact that the cost of these schemes may not be felt in full force for some months or even years to come does nothing to alter the fact that the fiddler will require his fee at one time or another. It is likewise a fact that programs which tend to persuade the home owner to overload himself with debt—as many of these programs do—definitely are no service to that home owner who is supposed to be served by them. Nor do we believe it a wholesome thing to make so large a part of the citizenry recipients of housing largesse. The Lord knows we have enough of that in many other directions already.

It would be well if the rank and file took the trouble to acquaint themselves with the facts before they go overboard in support of these various housing measures now proposed—or for that matter even of the more moderate schemes that the President has wanted in the past and doubtless would like to have now. One would suppose that housing construction had been lagging since the memory of man runneth not to the contrary, and that prodigal public expenditures were needed to stimulate its normal growth. But the facts do not support any such supposition. One would also suppose that the man who is expected to assume ownership of his home was relatively free of debt, and quite able to take on the charges incident to the ownership of his home. Again, the facts are of a different order.

Construction in Volume

Residential construction with what may be regarded as natural ups and downs with general business conditions has been proceeding at a vigorous rate ever since the end of World War II. Of course, there was a backlog to fill, and the population has been increasing rapidly. It may well be doubted, however, whether a more rapid rate of housing construction could be regarded as wholesome in the circumstances. Throughout the period since 1946 the people of the United States have been far exceeding the 1929 volume of residential construction even when the effect of price changes are eliminated. In point of fact, the record of recent years is not very far from double that of 1929. Even in 1957 the figure is higher than any year on record except 1955 and 1956.

Of course if the volume of such construction is measured by the dollars put into it, it is several times that of 1929. And this matter of cost and price carries another warning to the thoughtful. A house costing, say, $8,000 in 1929 would have cost over $20,000 in 1957. It would be one thing to induce extraordinarily large home construction by the rank and file if they could get the houses at some cost that did not overstrain the financial resources of the ordinary man; it is quite another to proceed in this way when the increase in such cost has far outstripped the rise in the costs in the economic system generally. Probably the best index of prices generally available places the rise from 1929 to 1957 at less than 100%, against an increase of more than 150% in the case of residential construction.

Another aspect of this situation which should give the government pause is the rapid rise in mortgage debt on small homes. By the end of September of last year (the latest figure readily available) outstanding mortgages on one to four family houses had reached the staggering total of about $115 billion. Of course, there is no point in comparing such a figure with any prewar year or date. The two figures are not even of the same order of magnitude. Even as recently as 1950 the total of such debt came only to a little more than $45 billion. And something slightly less than $50 billion of the current mortgage debt is government underwritten.

If the people of this country are wise they will uphold the President in his opposition to these Democratic proposals—yes and even insist that the President himself be less generous with public funds and public credit for housing.

Continued from page 5

Business Outlook and the Stock Market in 1959

for this type of security might be scarcer and dearer.

III

Economic Background for 1959

Before getting seriously into a discussion of stocks we might list a few of the factors which it is expected will affect the economy this year, taking the favorable ones first:

(1) Consumer expenditures for goods and services may show a rise of 3% to 4% over 1958.

(a) Higher disposable income.
(b) Record savings.
(c) Cost of living should not increase much this year.
(d) Increased overtime payments, although unemployment will remain.

(2) Government spending will be higher.

(a) Increase in expenditures for national security.
(b) Increase in State and Local expenditures.
(c) Nondefense costs will be cut but little.

(3) Inventory policy, which was of prime importance in the 1957-58 recession will reverse itself and contribute to recovery in 1959.

(4) Building construction should hold at high levels.

(5) Democratic Congress will be in favor of business expansion to ease unemployment. We cannot impress the dangers of inflation and unsound money upon a gentleman perched upon a park bench studying the help-wanted ads.

(6) The Commerce Department recently estimated that the national output of goods and services established an all-time record in the final quarter of 1958. Inference is that we are really rolling now.

On the other side of the coin we might now list a few adverse thoughts:

(1) Capital expenditures probably will remain low, due to excess capacity in many lines and high costs.

(2) Although business will be generally at a high level, corporate profits in the aggregate are unlikely to fare as well. The men who run the country's manufacturing companies are not nearly so optimistic about profits as are the people who have been buying stocks. A survey of 189 manufacturers by the National Industrial Conference Board showed that many concerns look for stiff price competition; and they are not expecting any substantial increase in either before or after tax profits in the first half of this year. A similar survey of business leaders by the *Wall Street Journal* showed that "The outstanding feature of 1959 may be a further profit squeeze."

As long as the wage-cost spiral lasts, the harder it is to pass increased costs on to the buyer. Industry almost certainly will operate at a high break-even point. Actually, corporate profits have been tending downward since 1950.

(3) There is likely to be increasing competition among nations for the disposal of their goods in world markets, intensifying as the European Common Market gathers strength. Other free trade areas are in various stages of formation, the Latin-American Trade Area, the Pan-Arab and the African. They all portend more competition to come. Meanwhile, we are the highest-cost nation, chiefly because of the high-wage ingredient.

(4) On the economic front an interesting study has been published by the University of Michigan. This is the latest survey of a series, begun in 1952, on consumer attitudes as to future buying intentions and confidence. It does not make very cheerful reading for the automobile industry, which is widely regarded as the key to the general situation. Although consumers are recovering from the shock of the recession, interest in new cars has not snapped back as it did in 1954, and high prices remain a drawback.

(5) The Federal Reserve Board will probably make more use of its power this year — there may occur some rather abrupt changes and reversals.

(6) Farm income may be somewhat lower.

Earnings and Stock Prices

In the stock market, as in business, *Confidence* has much influence. I shall quote a sentence by a stock market analyst which I recently read: "Today most people are utterly 'trend conscious.' They want to buy, seemingly without caring about price, whatever has been going up. Drug and other prime growth stocks are at fabulous price-earnings ratios; while the electronic and missile groups are free-wheeling in outer space."

The degree of investor confidence in stocks is best measured by the size of the price-earnings ratio, that is the rate at which investors are willing to capitalize earning power. At present the typical industrial stock commands a price equal to 20 times the latest annual (four quarters) earnings. That is a high ratio, comparing with only a 5.7 ratio in 1949 and 8.6 as recently as 1953. In other words, we think almost 2½ times as much of stocks as we did five years ago.

To illustrate how much confidence really means in the stock market, it is interesting to observe that the price-times-earnings ratio through the years varies more widely than do earnings themselves. Since 1939 prices for stocks have frequently had wide swings in opposite direction to earnings. Thus, from 1942 to 1946 stock prices rose 100% while share earnings fell 32%. Then from 1946 to 1949 stocks dropped 22% although earnings shot upward and gained 220%. Again from 1949 to 1952 stocks rose 94% although earnings stagnated and actually dipped by 4%.

Those trends reflected big shifts in investor confidence. Just after Pearl Harbor confidence was very low and investors would pay only 7 or 8 times earnings. Yet by 1946 confidence had risen to a point where investors were paying 23 times earnings. That confidence was inspired by the ending of the war and belief that lower taxes and a postwar boom would boost earnings of corporations.

True, there was a postwar boom in earnings, but the market in 1946, at 23 times earnings had discounted better earnings a long way ahead. So, by the time 1949 rolled around earnings were up 220%, but stocks reacted by 22%.

The most recent illustration of the confidence factor is the experience since October, 1957. Then we were at the bottom of a big downswing and industrial stocks were selling around 12 times earnings of the last four quarters. Since then the average industrial stock price has risen by 37%, yet earnings on a 12-month basis have actually declined by 18%. Stocks try to peer ahead and forecast coming earnings, and in doing so they almost invariably overshoot the mark.

The recent ratio of 20 times earnings for Standard & Poor's industrials is one of the highest on record. The corresponding high in 1946 was 23; in 1937 it was 17 and in 1929 19½.

Other Influences Which Could Affect Stock Prices

While hardly likely, the problem of German unification could be settled. Should this occur, it would go far toward liquidating the cold war between the East and the West. This would immediately start a chain of adjustments, which could be upsetting. The defense burden would be lightened, the budget cut, and troops abroad brought home. The composition of foreign trade would be altered. Most of all, it would alleviate inflationary pressures and substitute some deflationary ones, including adding to unemployment. Certainly we could expect an intensification of world competition.

Or suppose, contrary to present expectation, the new Congress agrees with the President's view that it is imperative to balance the budget and to contain inflation. Should this occur with reasonable promptness, we could witness a marked reversal in the market's attitude toward bonds as against stocks.

Or again, let's suppose, as many believe, that the Congress spends most of the present session in investigations. Liberal and leftwing probers, according to a "Wall Street Journal" preview, will seek to paint big business — **not big labor**—as the villain in the inflation piece. Business will be accused of raising prices above increased labor costs and of profiteering in defense contracts. Banks and insurance companies will be charged with jacking up interest rates and taking advantage of veterans and other borrowers of limited means. This is no climate for a speculative rise.

Finally, let's suppose there is a run from abroad on the $8 billion of free gold held by our Treasury in excess of reserve requirements for the combined note and deposit liabilities of the Federal Reserve System. Or, that owners of any substantial part of the $8 or $9 billion worth of American shares held abroad become frightened. Nationals of foreign countries who hold our stocks do not have to pay capital gains taxes. Their decisions to buy, sell or switch can be independent of tax considerations.

Summary

(1) The outlook for business on

the whole is good. There are a few laggards.

(2) The electric utilities, telephones and most gas producing and distributing corporations will do better than 1958. The tobaccos and drugs will probably earn more and perhaps many of the consumer goods companies will improve their position.

(3) The economy lacks the dynamism accruing from expansion of capital goods.

(4) In the hard-goods lines we shall have to wait for a clearer picture. A consumption goods economy is not a sturdy base for a bull market.

(5) Some of our eastern railroads are sick and are not therefore buying their normal requirements.

(6) In 1950 our firm went on record that bonds seemed inflated and stocks deflated. The yields at that time were for high grade bonds 2.64% and on common stocks 6.2%.

(7) High grade bonds now yield 4.4% and high grade stocks only 3.4%.

(8) A 10% increase in dividends each year for the next six years would be required to attain the same income on stocks as those now available upon bonds.

(9) Money, interest rates and inflation will almost certainly be subjects of Congressional investigation this year maybe by both branches of the Congress concurrently.

(10) The stock market has already discounted considerable inflation.

(11) In the last five years industrial stock prices have more than doubled while the cost of living index is up only 8%.

(12) In the matter of inflation we are dealing with mass psychology and this at the moment seems to outweigh the usual guards and measures of value.

(13) Ordinarily we think of inflation as a bullish factor only if it helps to improve earnings dividends.

(14) The inflation we are now experiencing is largely in wages and governmental deficits; both of which pose a threat to ability to continue dividend payments on common stocks.

(15) Of our assumed budget deficit of $12 billion, the sum of $7.4 billion is accounted for by lower tax collections. It is hard to construe this as a bullish influence.

(16) More institutions buy stocks now than ever before.

(17) Some charitable trusts can pay higher for stocks because they are not taxed.

(18) Our better corporations under our tax laws prefer to borrow and are not therefore financing the stocks in quantities to supply the demand.

(19) Further proof of the preference for stocks over bonds is the persistent effort of some insurance companies to secure legal sanction for the sale of variable annuities.

(20) This preference of the insurance companies is not due alone to views of management. The companies are having difficulty in competing for pension plans with plans that are administered by trustees who are not held to small percentages of stocks.

(21) Some of our insurance companies are reaching for the same result in another direction. Many prefer convertible bonds or bonds with warrants attached giving a future option upon a slice of the equity.

(22) There is a noticeable flight from bonds (really the dollar) into stocks. The big struggle for the next six months and maybe a year will be the Congressional battle for the future of the dollar.

We have enumerated many factors and I suspect more than enough. Numerically I dare say more of them point to lower stock prices than to higher levels. However, there is a mighty factor which could outweigh all the other evidence, that is, distrust of our dollar. If this thinking spreads and becomes a stronger conviction stocks can go higher.

I thank God I was only asked to discuss security prices in 1959. An attempt to cover a longer period would have floored me. At the same time it gives me an opportunity to say to you that I most positively have a continuing faith in the long-term future of America, of American industry, and of American equities. We have always solved our problems in this country.

Fidelity Developm't Opens

PHILADELPHIA, Pa.—Fidelity Development and Research Co., Inc. has been formed with offices at 1616 Walnut Street to engage in a securities business. Officers are Edward A. McNulty, President; John F. Roe, Secretary-Treasurer, and M. R. Brown, Assistant Secretary-Treasurer.

P. F. McKee Opens

ROSEBURG, Oregon — Paulus F. McKee is conducting a securities business from offices at 1157 Southeast Kane under the firm name of Insurance and Investment Service. Mr. McKee was formerly with Edward I. Hagen & Co.

Ray Brogdon Opens

EUGENE, Oregon—Ray Brogdon is engaging in a securities business from offices at 106 West Sixth Street under the firm name of Investors Service Co.

Opens Inv. Office

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Agnes W. Bange is engaging in a securities business from offices at 5475 Santa Monica Boulevard.

The Greatest Coming Invention

By ROGER W. BABSON

The harnessing of gravity, the only known physical force that still cannot be retarded, and its possible peacetime and defense applications is, according to Mr. Babson, the greatest coming invention. The writer calls attention to the educational work which the Gravity Research Foundation, New Boston, N. H., is doing, and reports that our U. S. Defense Department hopes we will discover the solution to this before the Russians do.

Everyone knows the force of gravity. The baby learns it when he first falls to the floor; the child learns it when he slides down the stair banister; and so it goes. I got one of my main lessons when I worked for the Adirondack Power Co. at Niagara Falls, N. Y. The greatest illustration in the world is at Kariba Gorge, on the Zambesi River in Africa, where I have been in the past few months.

Roger W. Babson

Harnessing Gravity

Gravity, like electricity, will some day be harnessed as a source of cheap power. It is true that we now do not know what gravity is or where it comes from. Gravity waves go through buildings just as do radio waves, which we also know little about. We do not know where electricity comes from or how it travels. With all the power it possesses, we cannot see electricity or magnetism.

Gravity is the only known physical force that cannot yet be retarded. We can insulate against heat or cold; we can shut off light by pulling a window shade or closing a blind; but retarding gravity even 10% has thus far been impossible. Of course, no one wants to eliminate it 100%, as we would rise to the moon without it, whether we wanted to or not!

Anti-Gravity Studies

It is, however, very important that the downpull of gravity be regulated or partially insulated. Certain airplane companies are now feverishly working on this problem. The U. S. Defense Department is hoping that Russia will not discover the solution before we do. A partial insulation of gravity would revolutionize the making of rockets, missiles, and all "sputniks" or "luniks." Its regulation could also render partial relief to the 10,000,000 U. S. citizens who suffer from arthritis, bursitis, or other rheumatic troubles.

Therefore I am especially interested in the educational work which the Gravity Research Foundation of New Boston, New Hampshire, is doing. Here is a humble organization which is trying to discover a means of preventing people from "getting tired" when working in factories, homes, or stores. As air-conditioning adds so much to the well-being of people during the hot weather, a slight retarding of the force of gravity in the factory and home would do much to keep manual workers and mothers from "getting tired" at their jobs.

Getting Overtired Is Dangerous

Most colds and many illnesses are now caused by getting overtired. Every physician will tell you this. We never "catch cold" when we are rested and healthy and have proper sleep and diet. Even shopping is a tiresome chore. Think how the stores where gravity could be retarded would get the patronage! Moreover, the stores would be able to regulate this gravity pull by a thermostat, letting it be "natural" in the morning and decreasing its pull toward the end of the day when everyone feels tired.

I believe that investors should be interested in the studies of the Gravity Research Foundation. The total efficiency of every plant would naturally speed up if the workers did not "get tired" during the latter part of the day. Time studies will prove this. I further believe that "getting tired" is a basic cause of many strikes which are so destructive both to good will and to profits. Regulation of the gravity pull would do much for industrial peace. Fatigue is the great enemy of man.

Increasing Sales

Let me conclude by referring to my own experience. It is very hard for any one to sell me anything—land, stocks, merchandise, or even an idea, when I am tired. If this is true of me, it should be true of 75,000,000 other adults in the U. S. Think how sales of all kinds would increase if, upon going into a store, we would feel refreshed and anxious to buy. Of course, the ability to regulate gravity pull by a thermostat and thus prevent people from getting tired has not yet been achieved. Neither has a cure for cancer and other scourges; but I can assure readers all these are on the way.

W. J. Stoutenburgh Opens

William J. Stoutenburgh, Jr. is engaging in a securities business from offices at 25 Broad Street, New York City. Mr. Stoutenburgh will acquire a membership in the New York Stock Exchange.

Fusz Schmelzle Branch

MT. VERNON, Ill. — Fusz-Schmelzle & Co., Inc., has opened a branch office at 1123 West Broadway under the management of Edward E. Hawkins.

Opens in Anchorage

ANCHORAGE, Alaska — Paul Nichols has opened offices at 603 East Fifth Avenue to engage in a securities business under the firm name of Paul Nichols Securities Co.

Phila. Secs. Ass'n Elects Officers

PHILADELPHIA, Pa.—Spencer D. Wright, III, of Wright, Wood & Co., was elected president of the Philadelphia Securities Association at the annual meeting and dinner of the Association Jan. 16. Mr. Wright succeeds Leighton H. McIlvaine of Goldman, Sachs & Co. whose term expired.

S. D. Wright, III

Other officers elected to serve for the ensuing year were: Albert A. R. Wenzel of Francis I. duPont & Co., Vice-President; William A. Webb of DeHaven & Townsend, Crouter & Bodine, Treasurer and Warren V. Musser of Philadelphia Securities Co., Inc., Secretary.

Mr. McIlvaine was elected to the Board of Governors to serve until 1960, and the following were elected Governors to serve until 1961: Harry L. Heffelfinger of Samuel K. Phillips & Co.; Mr. Musser; Thomas P. Stovell of Provident Tradesmens Bank & Trust Co. and Mr. Wenzel.

New duPont Branch

ST. PETERSBURG, Fla.—Francis I. duPont & Co. has opened an office at 218 Beach Drive, North, St. Petersburg, Fla., its 6th office in Florida and its 72nd nationwide. The office is headed by T. Ray Gaither and Samuel T. Messner, Jr.

Columbine Adds to Staff

(Special to The Financial Chronicle)

DENVER, Colo.—Melvin E. O'Neil, Alfred O. Primock, William A. Rutkofsky and J. E. Thompson have been added to the staff of Columbine Securities Corp., 621 17th Street.

Martin Annunziata Opens

MT. VERNON, N. Y.—Martin Annunziata is conducting a securities business from offices at 6 Fiske Place.

Forms Coleman Secs.

Warren Coleman is engaging in a securities business from offices at 729 Seventh Avenue, New York City, under the firm name of Coleman Securities Company.

Business and Finance Speaks After the Turn of the Year

Continued from first page

the world, and the posture of our defense effort. India, which has within its borders 40% of the uncommitted people of the world and is the showcase of the democratic experiment in Asia, grows more important as China moves ahead. Congress must pass a loan and aid program which will prevent it from failing in its purpose to achieve self-sufficiency under its second five-year plan.

The President should be given the authority to use our economic resources to wean away from Communism those countries which show a disposition to leave that orbit of influence. This proposal, which I offered in the last Congress, failed by one vote. I intend to offer it again.

We must reformulate our aid programs to meet the urgent needs of underdeveloped countries suffering from overpopulation and capital starvation. In Latin America, there is need for an inter-American agreement for stabilizing commodity prices and markets, for an inter-American capital development bank, an increase in technical assistance programs, and perhaps most important of all, a change in our attitude on political relations, especially in connection with the so-called dictators; our attitude in diplomatic relations; and our attitude concerning economic relations.

On the domestic front, the new Congress is met with a host of economic problems. The fears of a depression which confronted the Congress last year have been replaced to a great extent by concern over inflation and the rising cost of living. Since the end of World War II the cost of living has increased by 62%; and there are signs that the economy has paused just long enough to try another dizzy ascent. The Chairman of the Board of Governors of the Federal Reserve System, upon returning from a trip abroad, noted that foreign businessmen were no longer so firmly convinced of the great stability of the American dollar. This thought compels us to examine our fiscal and monetary policies. It promises to be one of the most important challenges confronting this Congress. The Kennedy-Byrd-Payne Budget and Accounting bill which was passed last year should be of some assistance in this connection as soon as it is implemented.

Of particular concern to the country also is the pattern of racketeering disclosed in the McClellan committee hearings which calls for major changes in our labor laws. This country needs an effective labor-management reform law. I am confident that the partisanship which killed the Kennedy-Ives bill in the House last Summer —after it had passed the Senate by an 88 to 1 vote—will not again be permitted to block this urgently needed legislation. Despite the political perils, heated emotions and powerful pressures which surround this subject, I believe an effective bi-partisan labor-management reform bill will pass both Houses of Congress and become law in 1959—to the dismay of the Hoffas, The Sheffermans and their hoodlum associates.

There are, of course, many other important legislative challenges. For instance, Hawaii will almost certainly become our 50th State; it is important to extend the Airport Construction Act if we are to meet the challenges of the jet age; there is urgent need for an urban renewal program for our metropolitan areas to meet present demands and to prevent future critical shortages of homes for our exploding population growth; and the existing farm legislation must be replaced by a solid program designed to reduce our surpluses, to save our soil and save our water for the years ahead.

Each of these items will call for imagination, ingenuity and determination. I am sure that Congress will be equal to the demands upon it. I confidently predict that when the record of the 86th Congress is finally written it will show that it was alert to the problems of our times and that it brought us closer to our objectives of world peace and domestic tranquillity.

HON. LEVERETT SALTONSTALL

U. S. Senator from Massachusetts

In a dynamic State of the Union Message, President Eisenhower outlined three fundamentals on which he expects Congress to concentrate in support of his basic objective: "To promote strength and security, side by side with liberty and opportunity."


Leverett Saltonstall

The President's message was a challenge of highest purpose to the Congress and to the people.

About his first thesis, that of preserving peace, he said "we seek to prevent war at any place and in any dimension." To do this we must be strong in the skills of defense and develop the hardware to make best use of these skills. We must maintain a level of effort that will provide a balanced defense over a long period into the future.

In the effort to preserve peace, a great part of our deterrent strength is derived from our allies, whom we have supported through the Mutual Security Program. Berlin, the Near East, and the Far East are areas in which we must continue to be alert to the ever-present danger of Communist aggression.

The President's second thesis that "the material foundation of our national safety is a strong and expanding economy" rests squarely on the shoulders of Congress. The President will submit a balanced budget despite the many pressures for new spending and for tax cuts, which would tend to throw Government finances into the red. Many areas of Federal spending must be re-examined and new proposed areas studied with great restraint if Congress is to support the President in his efforts to hold back the inflationary spiral which eats into the pocketbooks of young and old, rich and poor.

The third thesis concerns the domestic needs of a growing nation. In this area fall aid to education, labor law revisions, civil rights, conservation—all forms of advancing our progress at home.

The importance of a strong defense cannot be underestimated. The President has achieved a balanced military force to deter the outbreak of Communist aggression. Our research and development, our advanced weaponry programs, are progressing rapidly. The President must have continuing support in this regard.

Although in the last Congress the bill which I sponsored for the Administration to reorganize the command channels of the Defense Department, commonly termed the Reorganization Bill, was enacted, yet further revisions are necessary in defense development procedures in order to maintain and build our defenses adequately.

I am re-introducing a bill to discard obsolete procurement practices. The essence of the bill provides for the encouragement of what is known as the weapons system concept of procurement. Technical and Management Responsibility under the concept are assigned to a major prime contractor and delegated by him. The system has been very effective in reducing lead time, that is, the time from the conception of a military requirement to the production of the operational hardware. The bill calls for simpler specifications in military purchases, incentives in the selection of contracts and the elimination of renegotiation from incentive and fixed price contracts. It further provides for flexibility in choosing negotiation as well as formal advertising in military purchases and will stimulate the supply of commercial-type products where suitable. I hope that the Armed Services Committee will give thorough consideration to the proposal designed to speed up the job of procuring advanced military weapons.

As a member of the Appropriations Committee, I have always examined carefully proposed Government expenditures. It is essential this year that each expenditure be weighed against other needs of the Government and revenues available. I intend to do my utmost to obtain a budget in balance and yet provide the needs of our Government in an expanding nation and an uncertain world. We must weigh carefully the needs of national defense and the needs for Government services which contribute to our overall national welfare and progress, for as the President said, "If we do not progress, we shall regress."

If the President's program is supported, and if Congress squarely meets the challenge of the State of the Union Message, we can face the future with confidence.

HON. ALEXANDER WILEY

U. S. Senator from Wisconsin

The outlook for 1959 appears to be one of steady improvement in the economy—with "dark spots" of lingering unemployment and business lags in scattered areas.

As the 86th Congress gets underway, big questions that arise include: What effect will Congressional action have on the economy? Will it be a shot-in-the-arm? An acceleration to more inflation? Or, will it serve to be a stabilizing factor?


Alexander Wiley

Initially, the new Congress is faced with the task of determining the level of Federal participation in programs for fiscal year 1960. In this role, the Congress will be setting an example —good or bad—for the economy.

Size of Federal Budget

Will the new Federal Budget for 1960 — recommended by President Eisenhower—amounting to about $77 billion—remain balanced?

The task will be extremely difficult. Even if accomplished initially, subsequent approval of supplemental appropriations for departments of government to "round out" the economic year, is almost traditional.

The scope of federal spending policies will, of course, have repercussions elsewhere in the economy. If it appears that Congressional action will increase, rather than attempt to decrease, inflationary pressures, for example, then more business investments will likely "hedge" against inflation of the future.

If Congress gets too free-spending, we can expect that President Eisenhower—as promised—will wield the veto. Generally speaking, however, multi-billion dollar legislative proposals dropped into the hopper—perhaps some as a result of campaign promises—may well be reduced in committees—with a wary eye on the veto threat.

We recognize that Government expenditures play an important, though not top, role in our economy. A sizable portion—estimated at two-thirds of the current $80 billion outlay—flows back into economic channels for the purchase of goods, services, payrolls and other expenditures. However, the real wealth of the nation—its Gross National Product—will—as it should—remain largely dependent upon our private enterprise system.

Congressional Action Affecting Economy

What are some of the major fields of Congressional action which may affect the economy? Briefly, a few of these include: (1) housing—including possible change in interest rates for GI or FHA loan programs, as well as liberalization of housing regulations; (2) defense spending—for ships, planes, rockets, missiles, guns, munitions, and other developments—is now at a high level; the outlook is for greater, rather than less, defense spending in the immediate future; (3) school enrollments continue to increase demand for constructing more school facilities—whether supported by local, state, or federal funds—in communities across the country.

Effect of World Affairs on Economy

World affairs — particularly the temperature of the "cold war" as well as possible brush fire wars—will continue to affect the national economy.

On the economic front, too, we face growing challenges from increased competition from our allies; from Euromarket—a powerful economic force; and from the Communist bloc.

The 86th Congress, during its deliberation, will need to carefully review our trade policies to improve, as possible, our trading position. While there is a real need to keep a watchful eye on the impact of foreign competition on domestic industries, we must, at the same time, encourage trade with nations on a mutually beneficial basis.

Inflation—A Thorn in Our Economic Side

Unfortunately, inflation will continue to be a "thorn in our economic side." An all-out attack is continuously necessary against this thief that steals away the value of our dollars, diminishes savings, and generally has an adverse effect on the economy.

We recognize, of course, that higher costs, today, are not solely the result of inflation. Ever-greater public demand for "magic," push-button, automatic, labor-performing gadgets in houses, cars, offices—wherever people work, play and live—also contributes to higher prices.

Economic Factors Affecting the 1959 Outlook

Despite inflation, scattered spots of unemployment and business lags, and other troubles, however, we can look forward to increased industrial output, stepped-up business activity, more consumer buying, a "back-to-work" movement that will diminish but not completely eliminate unemployment: all in all, a brighter year ahead.

In summation, the outlook is that 1959 promises steady economic improvement, barring, of course, unforeseen calamity at home and abroad.

F. W. ACKERMAN

President, The Greyhound Corporation

There's a widow in Eugene, Oregon, who visits her son's family in San Francisco every month. She travels by bus.

An optometrist in Rockford, Illinois, gets regular shipments of lenses by bus from his distributor in Chicago.


F. W. Ackerman

A high school in Birmingham, Alabama, charters buses for its football team and band during the Fall.

And a retired couple visited the Greyhound travel bureau in New York last week to plan their three-month bus tour of the United States.

These people and many others, could best report the future of the intercity bus industry. They are among the millions that rely on Greyhound and other bus companies to get them where they want to go—safely, comfortably, and on-time. To them, bus travel is a necessity.

Today there are some 25,000 buses operated by 1,700 intercity bus companies. They rack up 1.2 billion bus miles and carry 30% of all intercity passengers, excluding private car travel. There are 40,000 communities where bus is the only form of public transport.

By comparison, buses now carry 2¼ million passengers; rails 1½ million; and airlines 1¾ million. In fact, Greyhound alone—operating coast-to-coast, border-to-border over a 100,000 mile route — last year moved 130 million passengers a total of 10 billion passenger miles. Greyhound's Scenicruiser Service and regular buses traveled over half-a-billion miles in 1958—more than a million miles a day.

The outlook for this bus business is exciting. Daily more communities must depend on intercity buses for transportation as railroads abandon their passenger-carrying roles. As cities get closer by air, airports get farther away from cities. Even now Greyhound provides heart-of-town to heart-of-town service that matches or surpasses air in some areas. Due to jets, airports will be moved even farther away from downtown; and super-highways, opening or under construction, will substantially shorten bus running times between cities.

Where service is provided by a competing form of transportation, buses furnish four or five times the number of arrivals and departures, and at hours that suit public convenience.

Buses, too, will change. New engines undergoing tests will be more powerful. New colors will brighten the exteriors. Greater use of glass will make buses picture windows on wheels. Rides will be smoother and

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quieter and new metals and plastics will reduce the weight of buses.

Buses will be even safer and today they are many times safer than other forms of transportation.

Now Greyhound Scenicruiser Service buses have washrooms, panoramic windows, air suspension ride and air conditioning. You can board one in New York and be in Chicago overnight, pausing only occasionally to eat and stretch.

You can travel cross-country, straight-through by Greyhound, dozing en route. Of course, a more leisurely way is to travel during the day and stop off at previously-arranged hotels at night.

Greyhound's fastest-growing service is the carrying of package express shipments. It is expected that this service will double within five years.

There is every indication that the many services of Greyhound and the intercity bus industry will continue to provide a contribution daily to the nation's welfare. Significantly, Greyhound still embraces the simple philosophy of its founders 45 years ago—"Faith in the future of highway travel in America."

K. S. ADAMS

Chairman, Phillips Petroleum Company

The recent upturn in business, coupled with normal growth factors, indicates an increase in 1959's total petroleum demand of at last 4% over 1958. The best balance of product inventories in relation to demands in several years existed at year-end 1958. This should improve prospects for more satisfactory cost-price relationships in 1959. One of the industry's most pressing problems is that for years it has not received enough value for its products.


K. S. Adams

There has been no sustained general crude price increase since 1953, although badly needed. Succeeding widely varying price cuts, affecting nearly half the nation's crude oil production, have reduced crude prices established two years ago.

Inflation more and more is becoming one of the most persistent problems of our economy. Restraint of inflationary forces such as government expenditures, inefficient business operations and unwarranted wage increases is essential to avoid strangling of our nation's economy.

NORMAN E. ALEXANDER

President, Sun Chemical Corporation

The recession is now history. The management of Sun Chemical Corporation is anticipating almost complete recovery by general industry during the first quarter of 1959 and the beginning of a long-term period of healthy economic growth. Our operating budgets and projected sales and profit goals have been established accordingly.


Norman E. Alexander

Sun's projections revolve around the fact that its products, chemicals, flexographic and printing inks and supplies, textile resins, industrial waxes, electric insulations, paints, industrial finishes and construction specialties, are sold chiefly to the manufacturers of non-durable goods.

Because of the nature of this market, the recovery from the recent recession by Sun and its competitors has been extremely sharp. September, 1958 saw the reversal of the downturn in chemical industry sales. Substantial gains were made in the last quarter of 1958 so that 1959 is expected to start with record demand for chemical products that should continue throughout 1959.

For those interested in business barometers, it is interesting to note the close relationship of the sales of ink, one of Sun's major products, to the Gross National Product. A plausible reason is the needs of the packaging industry which was largely responsible for a doubling of ink sales between 1944 and 1949 and a redoubling between 1949 and 1958. For each of the past five years, ink sales have hovered around .5% of the GNP. These sales indicated a general business upturn which was reflected in the upward surge of business in the final quarter of the year and the projected 4% general improvement which would bring the GNP to at least $460 billion in 1959.

Sun's projections are also based on a thorough study of several other factors. Sales of many of our products depend on the rate of industrial spending for plants and equipment. As the year turns, this area of economic activity has recovered substantially from the downward spiral much more quickly than was generally expected by most economic prognosticators. Our studies indicate that plant and equipment expenditures will reach a record annual rate of $33 billion in 1959. This would hasten complete recovery for the capital goods industries which were hit extremely hard in the recent decline and consquently increase demand for products on which we have an established market position. It is interesting to note that New Orders Indexes now show real promise of resumed economic growth. Studies indicate that they may reach pre-recession peaks by mid - 1959, with the possible exception of fabricated metal products and transportation equipment.

Looking at the retail sales prospects for other products, we naturally expect consumer buying to continue to follow the course of disposable personal income, which is expected to continue its rise. Consumer confidence appears very strong. Studies in depth indicate retail sales should match the overall 4% increase anticipated in the Gross National Product.

Another factor is the sound inventory position in most manufacturing areas. Corrections have been made and shipments are now generally being made from production and not from stock. Slight accumulations in inventory to support increased sales are expected to give a further boost to the 1959 economy.

Favorable aspects can be found in the labor outlook in relation to the problem of steadily increasing costs. During 1958, several industries were plagued by strikes, which are harmful to the general economy because of the effect on employee income as well as a drain on corporate resources needed for growth.

With major issues settled, it is expected that labor peace for at least the first half of the year will contribute to the full recovery anticipated in most areas. Studies indicate that employment generally should rise during the year. However, the number of unemployed in non-agricultural industries, may remain at around 4,000,000 for the time being, a figure well above the pre-recession level. This is the result of the necessary job accomplished by industry in bringing runaway production costs under control and increasing the productivity per man hour. This increased productivity per man hour will be reflected in corporate profits and financial stability.

These are the indicators on which Sun Chemical is basing its 1959 operative plans. Summing up, the management looks for economic gains in most of the markets it serves, the construction, printing and publishing, packaging, electrical, chemical, petroleum, aircraft and missile industries, and improvement in the textile industry.

Inflation continues to be Sun's principal problem as well as that of industry as a whole. This is a long-term threat to economic stability, rather than an acute problem in the year ahead. We believe the inflationary trend will be restrained somewhat during 1959 by increased production per man hour, a slowing of the wage-price spiral, a slow inventory buildup rather than rush buying, and general price stability. The big question remains: Is the 1959-60 era going to be a repeat of the inflationary recovery in 1928-29, or is it the beginning of the Golden 60s? Time will tell.

From present indications, Sun's management believes it will be the latter.

C. J. BACKSTRAND

President, Armstrong Cork Company

General business prospects are considerably brighter today than they were a year ago. With the sharpest economic contraction in the past 20 years now a matter of record, new highs for business activity in 1959 are confidently predicted in many quarters. Current widespread optimism is based to a significant degree on projected developments in building and general industry, two of Armstrong's major markets.


C. J. Backstrand

While the economic evidence points to expansion in the dollar volume of the nation's business during 1959, several factors suggest that a return of boom conditions is not imminent. Perhaps the most important of these is the existence of adequate, and in some instances, excessive, productive capacity. Indeed, another year or two may be required for many industries fully to digest the huge additions to facilities made in the past three years. Secondly, recent surveys of consumer attitudes and anticipations indicate only a modest rise in spending for goods and services during the coming months. Finally, the economic and political climate is such that the leaders of organized labor may be emboldened to seek unrealistic wage increases in several key industries. Resistance on the part of responsible managements concerned with the longer-range implications could, of course, result in lost employment, production and income.

Analysis of these and other fundamental considerations in the current business picture yields at least two key conclusions, namely, that a simple projection of the recent recovery pattern is not supported by the facts and that, since the individual company cannot rely on being swept forward by a new business boom, it must depend on its own resourcefulness in the market place and on the production line if it is to achieve profitable growth.

The building industry is likely to provide real strength for the general economy in 1959. Expectations are that the dollar volume of all construction will reach a record level this year. New home building has been increasing in the past few months, and the first half of this year should witness activity at about the rate attained in recent months. Thereafter, the outlook is dimmed by prospective mortgage money limitations. Other areas of strength include commercial, institutional and school building, increases in which should more than offset a projected decline in plant construction. An accelerating pace of residential and commercial repair and modernization can also be expected.

Anticipated building market developments suggest a substantial demand for a wide variety of building materials and flooring products and particularly for those items that offer economy of installation and maintenance as well as distinctive design.

Rising output and rock-bottom inventories in many areas that were severely depressed in 1958, including the machinery, office equipment and consumer durable goods industries, spell expanding opportunities for industrial specialties designed to cut production line costs and improve quality of the end product.

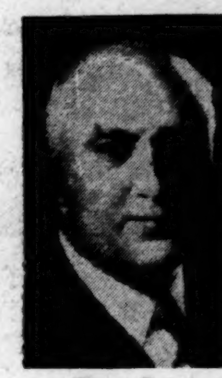
The packaging industry, which never broke stride in 1958, is expected to continue its steady growth this year. more and more companies are recognizing the urgency, not only of offering the customer the product he wants where he expect to find it, but also of improving the attractiveness and convenience of the package.

American business, having weathered a short but severe economic storm, faces another formidable challenge in 1959. The task that confronts all of us this year involves gearing up to take full advantage of the opportunities which lie immediately ahead, while avoiding the excesses that are born of boom periods. During 1959 intensive scrutiny of costs and vigorous investigation and cultivation of markets will again be in order as companies lay plans to attain their share of the growth that is widely predicted for the next decade.

BRUCE BAIRD

President, National Savings and Trust Company, Washington, D. C.

On the national level the recession of 1958 now appears to have been a brief but unpleasant incident in the history of the nation's economy. The stage seems set from the standpoint of wholesome and healthful activities in most of our big fields of commerce for a soundly prosperous 1959. It would be prudent, however, to discount this by the effect of international complications which are brought to the fore by the West Berlin situation which could easily and at any time upset the present state of peace which now exists officially.


Bruce Baird

It might be appropriate to inquire what are the prospects of a reduction in the present tax burden. The Government will obviously have small chance of a balanced budget so long as spending for defense preparedness and mutual assistance must continue and there seems nothing to indicate the possibility of any lessening of this spending program.

So we must become adjusted to and accept willingly the price which we must pay for freedom and peaceful coexistence. To all these necessary burdens the people of this great country of ours yield in good spirit as they compare their lot from every standpoint with the lot of other peoples of the world and face up to the American abhorrence of inflation as the force that would subvert the basic institutions of America.

LESLIE O. BARNES

President, Allegheny Airlines, Inc.

Nineteen fifty-nine will probably be the most significant year for the Local Service Airlines since the certification of this group of air carriers by the Civil Aeronautics Board in the latter part of the nineteen forties. During the last year the Civil Aeronautics Board decided five of a series of 10 Regional Local Service Proceedings set up to determine additional need for this type of air service throughout the country.


Leslie O. Barnes

In these decisions 85 additional certifications were awarded the Local Service Airlines. Forty of these certifications involved communities not previously served by an airline. In 16 cities, a trunk carrier was replaced by a Local Service Airline. The remaining 29 included larger cities served by one or more airlines.

In view of the fact that a majority of these decisions came in the latter part of 1958 and three were of the "Press Release" type of decision, the full implementation of these new services has been carried over into 1959.

The balance of the Civil Aeronautics Board's regional investigations, which cover the Middle West and Eastern part of the country, will probably be decided progressively through 1959 and 1960.

These proceedings have been characterized by an increasing number of larger cities seeking local air services for their short-haul and commuter air service needs and a readiness on the part of many cities to yield trunk certification for a more effective and useful Local Airline service.

The increasing emphasis of the trunk airlines on long-haul operations, as dictated by the recent competitive certifications established between major markets by the Civil Aeronautics Board and the economics of the new aircraft to be placed in service by the trunk carriers during the next several years, will undoubtedly incline an increasing number of larger intermediate cities to look to the Local Service Airlines for their regional intercity air services.

Concurrent with the Regional Local Service Proceedings, the Civil Aeronautics Board is reassessing traffic development at 95 cities to determine whether or not these points should retain their certification. This re-evaluation should lead to a number of suspensions at

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To Drill in Argentina

Carl M. Loeb, Rhoades & Co., investment bankers of New York, announced on Jan. 19 that drilling has been initiated on the first of an estimated sixty or more wells to be drilled in the Mendoza area of Argentina under the initial phase of its contract with YPF, the government oil agency. The drilling program will be financed by Loeb Rhoades, but carried out by a joint committee comprised of representatives of both parties.

The first two of seven drilling rigs to be employed are already in Mendoza. The remaining five will reach Argentina in the immediate future.

Fed. Land Banks Offer $189,000,000 Bonds

The 12 Federal Land Banks offered publicly on Jan. 20 $89,000,000 of 3¾% bonds due Feb. 1, 1960, and $100,000,000 of 4⅜% bonds due March 20, 1969, both issues non-callable. The 3¾s of 1960 are being offered at 100% and the 4⅜s of 1969 at 98½%. These new consolidated bonds will be dated Feb. 2, 1959.

The offering is being made through the Banks' fiscal agent, John T. Knox, 130 William St., New York City, with the assistance of a nationwide dealer and banker group.

The proceeds will be used to redeem $140,000,000 of bonds maturing Feb. 2, 1959, to repay short-term borowings, and for lending operations.

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unproductive points resulting in a substantial improvement in the economics of the Local Service Airlines.

Until mid-1958, only three of the Local Service Airlines—Allegheny, Pacific and Mohawk—provided service with aircraft larger than the DC-3. West Coast and Piedmont Airlines inaugurated services with F-27 aircraft in the latter part of 1958 and three other Local Service Airlines—Bonanza, North Central and Ozark—have ordered new and larger aircraft for operation in 1959.

With the anticipated expansion of Local Air Services in 1959 and eight of the 13 Local Service Airlines operating equipment larger and more modern than the DC-3, it is evident this segment of the industry has come of age and will be of increasing importance to the national air transport system.

B. E. BENSINGER

President, The Brunswick-Balke-Collender Co.

Because Brunswick is in a "variety" of industries, it might well be best to discuss the business of Brunswick and its outlook for '59.

The Brunswick-Balke-Collender Company is in an enviable position of serving two areas of activity that are expanding steadily — recreation and education. For 1959, we anticipate a continuation of the growth trend in these fields and consequently a very favorable reflection in our business.

B. E. Bensinger

In recreation, our interests are indoor and outdoor activities. Bowling is our principal interest and this has one of the strongest growth trends of all major public activities. Bowling now counts more than 22 million active participants and the number is increasing each year by about 12% to 14%. Added to the numerical increase is a trend toward more frequent play by individual bowlers and demand for more facilities, equipment and supplies.

It is significant that bowling continues to expand under adverse conditions. In 1958 when most other industries reflected the recession in our general economy, the bowling business was excellent. Many new lanes were installed. Of these, Brunswick supplied the major proportion, and this trend is continuing into 1959. Our backing of orders for new lanes at the end of 1958 was higher than at the end of 1957 so that we can anticipate higher volume in this important category of our business than in the year just passed.

Introduction of the automatic pinsetter has added to the growth trend of bowling. The demand for pinsetters derives, in part, from the conversion of old establishments to the modern automated game. But the combination of demand from new establishments and from the modernization program is a very powerful force and our orders for Brunswick pinsetters at the year-end were at a very high level.

Women have become major participants in this game only in the past few years and the potential is very great. Brunswick is sponsoring a national TV program to encourage women to bowl. The construction in shopping centers of recreation units centering around bright, attractive and air conditioned bowling establishments makes bowling feasible and attractive as never before for women. Air conditioning alone can and does extend the bowling season even in the hot climates, where older tradition virtually closed down bowling centers for a period of three months. Moreover, there are substantial areas of the country, nobably New England and the Southern States, where the "ten-pin" game is just beginning to take hold. If we apply to these areas the ratio of population to bowling lanes which exists in the Middle West, it is easy to foresee a demand for bowling equipment that will tax production capacity for years to come.

Our subsidiary, Mac Gregor Sport Products, Inc., supplies equipment for outdoor recreational activities such as golf, baseball, football, tennis and other sports. In 1958 this phase of our business forged ahead against the deterrent of some unemployment and a drop in personal income. Now that the national economy is resuming its upward trend, we foresee an acceleration in the long-term growth trend in our sporting goods business. Its future is bright indeed.

As to education, everyone seriously interested in the welfare of our country realizes the great shortage of adequate and modern school facilities. The high birth rate will make this situation increasingly acute. If we are to improve the quality of our education, we must face up to the fact that a very large part of our education plant is obsolete in terms of modern teaching techniques. The demand for adequate school equipment is sure to mount as the pressure for new and better facilities forces municipal and state authorities to meet their obligations to the public.

Recently Brunswick has opened a new production facility for school furniture in Kalamazoo, Michigan. This unquestionably is the most modern furniture factory in the country and should keep us for years to come ahead of the parade from an engineering and productive point of view. It is interesting to note that this school furniture plant is tooled up for the introduction of a brand new line of pupil seating and cabinets for 1959. Brunswick's School Equipment Division is, therefore, anticipating a very good increase in demand for its products in 1959.

With the European common market and foreign exchange stabilizing, Brunswick's International Division and our various foreign subsidiaries are moving forward on all fronts in an aggressive fashion.

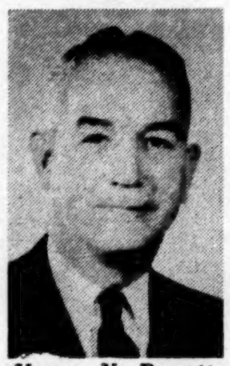
We have a third area of interest—Defense. The volume of business is small in relation to our total, but it is important and we are pursuing it aggressively. We are now expanding our plant in Virginia for the purpose. Our know-how and techniques in plastics and metal are being used more broadly each year by manufacturers of aircraft and missiles.

In summary, The Brunswick-Balke-Collender Company, which had a record year in 1958, is projecting for an excellent year in 1959. With additional plant capacity acquired last year, we are in a position to meet a higher demand anticipated for our products. Continuity of growth and profit is our watchword. Our prospects in '59 appear very favorable.

H. Y. BASSETT

President, Calumet & Hecla, Inc.

The outlook for non-ferrous metals and their fabrication is considerably improved over a year ago at this time. A year ago we pointed out that further declines in shipments of non-ferrous metal products could be expected during the first half of 1958. Sales of copper, brass and aluminum products are currently about 30% higher than during the low months of last Spring. For the whole year of 1959 we expect that brass mill shipments will be in the range of 15% higher than 1958.



Horace Y. Bassett

The recent trend of increasing shipments of copper, brass and aluminum products has been due to three major causes:

(1) Customers have shifted from actively reducing inventories (first half of 1958) to a position of balancing current purchases and sales, thus holding inventories nearly constant. Customers of the above industries appear to feel that for the time being mill products will be available in future months as needed. There is, as yet, no "inventory fever."

(2) There has been a significant increase in residential construction.

(3) In the case of copper and brass items, customers bought in anticipation of copper price increases which were effected in June, July and October.

Assuming that 1959 will be a more favorable year for automobile sales than 1958, and that manufacturers, wholesalers and retailers will continue to develop further confidence in economic recovery, a continuing rise in sales of goods fabricated from copper, its alloys, and aluminum can be expected. However, a boom in these and other non-ferrous metals industries of 1949 and 1955 proportions is unlikely. A continuing upward trend in final sales will lead to a renewal of capital expenditures by business. This would provide, possibly by late 1959 or early 1960, an additional stimulus to non-ferrous metals.

We look for stability in U.S. and world copper markets in the near future. Demand for copper by mills and foundries in the United States and Canada will probably continue at the improved level reached in late 1958. Some easing of European demand is probable during the first half of 1959, but this trend should be reversed later in the year. By the second half of 1959 it may well be clear that world consumption of refined copper will have moved into a range averaging 260,000 to 275,000 tons per month as reported by the Copper Institute. This will represent a higher level than reached in previous peacetime economic recoveries. The world's capacity to produce refined copper will also reach new high levels in 1959.

Demand for forest products, including lumber, hardwood plywood and dimension stock has improved materially over levels of early 1958. A slightly rising trend in total construction in 1959 could extend recent gains. However, the top may have been reached on housing starts, for the time being. Because of this, and because of increasing foreign competition, we do not expect that hardwood plywood shipments will increase further and may decline by the second half of the year.

In summary, differences between the recovery of 1959 and that of 1955 can be pointed out by certain comparisons. The 1955 recovery was dramatic, with automobiles, other consumer durables, housing, business inventories, and plant and equipment outlays all moving sharply upward together. These factors contributed to greatly stimulating sales of non-ferrous metals and products and forest products. The present recovery, to date, has been based largely on a slowly rising trend of consumer expenditures, a significant, but not spectacular increase in housing, and an end to liquidation of business inventories. The fact that there are major sectors of the economy yet to exert an impact in this recovery suggests that the recovery may either stall, or that it may be sustainable well through 1960. It is our feeling that the dynamic qualities of the American free enterprise system are of such strength that the present recovery will carry through 1960.

WHEELOCK H. BINGHAM

President, R. H. Macy & Co., Inc.

I would say that the outlook is good for both short- and long-term prospects. I have this view for two reasons: First, there is the indication of an expanding population, nationwide, for many years to come. Second, I accept the premise that the spending power of the American family—the department store customer — will continue to rise. Hence, I think I see good business for department stores in meeting the expanding needs of an expanding population.

Wheelock H. Bingham

Currently and for the Fall season-to-date department store sales have been well ahead of those for the corresponding periods of 1957. The trend of sales in our industry, being closely dependent upon consumer incomes and attitudes, responds rather promptly to changes in general business conditions. With the economy headed into a business upswing, the prospect for 1959 looks like a good one for retailers.

While the economic recovery offers increased opportunities for business, it also revives the danger of more inflation. During the past decade, inflation has imposed a heavy burden on many groups. The retail industry has felt the squeeze of constantly increasing costs, and lower profit margins. All elements in the economy have a common interest in combating inflation. This calls for sound economic practice, by government and business, and restraint by all.

I believe that during the forthcoming year department store management will devote much attention to problems created by the rapid expansion of branch stores. With an increasing share of our business and profits derived from branch store operations, an important avenue of profit improvement is in the development of more efficient methods of merchandise flow and servicing of these branches.

Important developments in electronic data processing are on the horizon for retailing. Electronics will play an important role as an aid to retailers in solving many of their record-keeping problems and to meet their needs for prompt analytical information. The development problems, which are quite formidable, are being gradually overcome. With the continuing tightness of the clerical labor market, the possibilities from such equipment loom large.

ESKIL I. BJORK

Chairman of the Board,
The Peoples Gas Light & Coke Company

The year 1958 was one of continued expansion of facilities of the Peoples Gas System to better serve the needs of the market area. The Chicago and other midwest areas served by the system began receiving additional supplies of natural gas last December as the result of a $65,000,000 expansion project of a subsidiary.

This project of Natural Gas Pipeline Company of America, one of two long-distance pipeline subsidiaries, added 185 million cubic feet of gas per day to its delivery capacity. This amount increases Natural Gas Pipeline's capacity by one-third.

Eskil I. Bjork

The project included construction of 513 miles of loop-line on five sections of the dual facilities of Natural Gas Pipeline between Fritch, Texas, and its northern terminus at Joliet, Illinois.

The new looping increases the daily aggregate pipeline gas delivery capacity of the Peoples Gas System from one billion 84 million to about one billion 280 million cubic feet of 1,000 Btu gas.

Peoples Gas will obtain about 72 million cubic feet of gas per day from the added supply. This new supply and other recent expansion programs of the system have made it possible for Peoples Gas to offer space heating service to about 50,000 users in Chicago in the last twelve months.

Flow gas supplies from pipelines can be augmented by peak day withdrawals of 500 million cubic feet from underground storage reservoirs being operated by the system. An increase in peak day storage withdrawals from 430 million cubic feet to the 500 million was authorized by the FPC on Oct. 27, 1958.

Work is underway to further expand underground storage capacity by the development of the Mt. Simon formation located below the Galesville sandstone reservoir presently in operation at Herscher, Illinois.

During 1958 the Peoples Gas System arranged for a gross amount of financing approximating $167,229,000 for construction of expansion projects, refunding short-term loans and other corporate purposes. Of this amount, $63,500,000 was in short-term loans primarily for financing of expansion projects.

The remaining $103,729,000 was permanently financed through the sale of Peoples Gas capital stock and long-term securities of subsidiaries. Of those proceeds, $55,000,000 of temporary financing during 1957 and $36,000,000 of 1958 temporary financing were retired.

After giving effect to the borrowings and the sinking fund retirements of bonds, the debt in the form of bonds and bank loans showed a net increase in 1958 of $33,750,000.

A pending expansion project is a proposal of Texas

Illinois Natural Gas Pipeline Company, the second long-distance pipeline of the Peoples Gas System to increase its daily delivery capacity by 20 million cubic feet of gas. This project, estimated to cost about $4,000,000, would consist of the installation of one additional compressor engine of 2,000 horsepower capacity at each of eight compressor stations.

In addition, Chicago District Pipeline Company, another subsidiary, has pending before the FPC a proposal to construct another major gas line between Joliet and Chicago.

In addition to these pending projects subsidiary companies will continue their efforts in 1959 to acquire additional gas supplies in order to make more of this fuel available to customers.

Last July initial production of oil from wells in the Gulf of Mexico was begun by a four-company exploration and development group in which Peoples Production owns a 25% interest. Also during the past year the group completed drilling activities to bring to twelve the number of gas and oil wells completed by the group since it began operations in 1954.

Reversal in December of the Memphis decision by the United States Supreme Court restoring the traditional procedures of the FPC in regulating rates of interstate pipelines makes it possible for the industry to carry out prudent expansion projects more expeditiously. Peoples Gas is happy to see that the high court recognized the needs of the industry in its attempts to serve the gas consuming public.

WALTER BOULDIN

President, Alabama Power Company

Notwithstanding the decline in business generally the first half of 1958, the company's gross and net revenues again were at an all-time high for the year. The growth of power needs in the company's service area again is at the rate experienced the past several years—a rate which resulted in approximately doubling the company's generating capacity in the 10-year period just passed. The effects of the 1958 recession were, of course, felt to some extent in the South, but they were not severe as in some other sections of the nation. The decline in general business activity during the first half of 1958 did not change our long range plans.

Walter Bouldin

On Jan. 1, 1959, Alabama Power Company had under construction or authorized hydro and steam electric generating projects representing a total investment of $335,000,000 to be made in these and related projects over a 10-year period. Among them are the complete development of the power potential of the Coosa River, now partially developed, calling for the building of four new dams and hydro generating plants and increasing the height and capacity of one of the three existing plants; construction of a large hydro-electric dam and power plant on the Warrior River; installation of generating facilities in navigation dams on that river; additions to existing steam plants and 50% participation in the construction of the $150,000,000 Southern Electric Generating Company steam plant. The overall figure does not include additional large investments in generating plants yet to be authorized and for lines and facilities to supply new customers and to meet the expanding needs of existing customers in future years.

Investment of capital in new and expanded industries in Alabama in 1958 exceeded that of 1957. Industrial employment now exceeds employment in agriculture. This is a continuing change in balance first established in 1957.

Many types of industry are reactivating their interest in establishing new plants in the South. This is indicated by the kind of inquiries being received with increasing frequency by our Industrial Development Department.

ALFRED BLOOMINGDALE

President, Diners Club, Inc.

The all-purpose credit card system of purchasing goods and services is perhaps the fastest growing aspect of American business today. In January of 1958, the Diners Club had 500,000 members. During the course of the year, new members were added at the rate of 30,000 each month until total membership topped 850,000 persons.

Much of the reason for this explosive expansion is attributable to the ever-expanding applications of the universal credit card itself. Beginning with a simple charge account in restaurants, today's Diners Card holder can travel from New York to Melbourne, Australia with only his credit card and a pencil. Over 20,000 separate establishments in 75 countries honor his signature.

Alfred Bloomingdale

In the past year The Diners Club added such diverse services as air, ship, and rail transportation, major golf tournaments, champion ship boxing events, race track admissions, and we are currently testing a travel insurance program.

To the consumer, the advantage of having a single master charge account is obvious. Aside from accurate billing for tax records and ease of purchasing, his all purpose credit card indicates to merchants that his personal credit rating has been meticulously examined and approved. With the multiplicity of charges available to the modern businessman, it is increasingly obvious that his personal credit must be clearly established before he is given access to those 20,000 places of business which have accepted as much as $25,000 on a single evening's charge!

However, the credit card business is, in effect, simply a super-service to the consumer and a super promotion for the establishment. For this reason, it must continue to offer an ever-widening array of goods and services if it expects to remain in the vanguard of America's expanding economy.

To translate theory into a practice, The Diners Club recently consummated a transaction with the 50-hotel Sheraton chain, largest on the North American continent, and another with Greyhound Bus Corp.

In the coming year, still another giant step forward is planned with negotiations currently underway with a major oil company; not to supplant their own credit card, but to supplement and bring an increased 30-40% more business into their fold.

The overall prospects for 1959 are bright. The combined oil corporations and department stores in the nation should do over multi-billion dollars in charges during the year. All-purpose credit cards should increase their income and membership of 1958, to approximately $500,000,000, and some two million members.

The Diners Club expects to have at least two-thirds of that two million figure with an overall increase in billings of 40-50%, proof that pioneering and diversion of services does bear tangible fruit.

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THOMAS C. BOUSHALL

President, The Bank of Virginia, Richmond, Va.

Individual businesses will be confronted with larger opportunities and greater challenges in 1959. Increased national product, accompanied by higher total personal income of the people in America, opens bigger markets which can only be captured if each individual business can successfully meet keener competitive effort. All of this is good for our free enterprise system.


Thomas C. Boushall

The collective effort and combined drive of a far better organized business program to combat rising Federal deficits, increasing governmental control, greater advances in socialism — represented by liberals searching for ways to short-cut the road to their concept of a possible, realizable Utopia—is essential.

Too, combined, coordinated and well-directed resistance to the cost-push inflation which labor plans to press down on the American economy is required. Unhappily, there are too many limited groups in the field with little, if any, agreement among them for a concerted drive to stop the push, on the one hand, and to effect an adequate remedy, on the other. Pious hope and able expression are of no avail against a well-founded, relentless campaign that threatens a congressman's re-election and he in turn sees only fragmented support to carry him back to Washington if he has displeased labor.

Economic groups, once claiming lofty goals "above politics" are now seeking to "field" candidates and influence legislatures and the Congress. But unless they all combine into single purposes and common goals, 1959 will see a further drift toward the rocky shores of social control on which many previous and formerly sound economies have been wrecked.

This is the greatest challenge business faces in the coming 12 months.

WALTER E. BRONSTON

President, Industrial Enterprises, Inc.

Based on the outlook of the complex of medium sized businesses, ranging from heavy capital goods to low unit price consumer items, which compose the Industrial Enterprises, Inc. family, we look forward to 1959 with careful optimism. The slow-down of 1957-58 has caused the autonomous divisional management groups in our company to take a "second look" at management practices in all parts of their businesses. As a result, organization and efficiency has been reviewed and in some cases remedial action taken, spending practices have come under closer surveillance, inventories have been more closely controlled and marketing methods sharpened. We, therefore, feel that we will enter 1959 with more muscle and less fat. I believe this to be true of industry generally, and that this condition will strengthen the ability of business to support a continued recovery trend in 1959. In a period of gradual continued recovery, management will need to exercise careful judgment in balancing the requirements for replacing worn out plant and equipment, providing for new capital expansion, and returning to investors a fair share of the earnings which can be expected to develop during a period of recovery.


Walter E. Bronston

In a broader sense, American industry must continue to be acutely aware that our competitive position is being sharply challenged in many parts of the world. This behooves management to furnish constructive leadership to the best of its ability in such critical areas as labor-management relations, efficient use of physical assets, and the development of executive talents in top and middle management. Finally, concentration on the proven principle of bringing to the consumer products of consistently high quality, at prices fair to both buyer and seller, will do much to assure business stability and growth.

GEORGE GARVIN BROWN

President, Brown-Forman Distillers Corporation

Optimism for 1959, for the nation's economy, is indicated by virtually all economic indicators. If these indicators prove correct, and our economy has a healthy climate throughout the new year, I would look for consumption of 222 million gallons of distilled spirits during the year. This would be the highest yearly consumption of distilled spirits since the record high of 1946, when consumption reached 231 million gallons. On the basis of Brown figures presently available, consumption for 1958 year will just about equal the previous year's total—about 215 million gallons. In view of the fact that our nation's economy suffered a rather severe recession during 1958, this is an excellent showing for the distilled spirits industry.


Geo. Garvin Brown

Straight whiskies—primarily Bourbons—have been increasing steadily in consumer popularity for the past several years, at the same time that spirit blends (composed of a blend of straight whiskies and grain neutral spirits) have been slipping. In 1958, straight whiskies represented about 48% of the total domestic whisky bottlings. For 1959, I look for a continued increase in this category, while blended whiskies will continue to slip.

We are primarily a straight-whisky company, producing and marketing Old Forester Bottled-in-Bond Bourbon and Early Times Kentucky Bourbon. The company also produces King Blended Whiskey, and imports and markets Usher's "Green Stripe" Scotch, choice wines and BOLS liqueurs, friut brandies, gins and vodka.

Except for spirit blends, all other major types of distilled spirits should either match 1958 sales, or show some sales increases in 1959.

Ours is a highly competitive industry and we must never lose sight of the basic fact that the consumer is really the king. We must produce and market products that will be attractive and pleasing to the consumer, if we hope to take advantage of the upward economic trends.

EDWARD G. BUDD, JR.

President, The Budd Company

We had a greatly improved fourth quarter and earnings for that period will assure a profit for 1958.

The Budd Company emerged from the recent economic slump in excellent financial condition, despite the fact that our two major divisions, Automotive and Railway, experienced a decrease in sales volume.


Edward G. Budd, Jr.

By bringing costs into line through careful supervision of direct and indirect labor and control of inventories, we held early losses to a minimum.

On the basis of public acceptance of the new models to date, I think that automobile sales will be improved in 1959 which should have stimulating effect on the entire economy. The increase in disposable income should be sufficient to support improved consumer buying well into next year.

We made a profit on our automobile business for the year despite the drop in total sales. The company benefitted from the high acceptance of the new four-passenger Ford Thunderbird and the Rambler line of American Motors.

During the past year, we took a number of steps designed to strengthen our top management and policy and planning committees. We brought in new people of proven ability in their respective fields and established several new outlets to improve marketing and expand sales of our new products, both in the United States and abroad.

In 1958 we announced, among others, the appointment of Mr. Herbert A. Boas, Jr., as director of Marketing and the election of Mr. Philip W. Scott as Group Vice-President with responsibility for the operations of four Budd divisions—Nuclear Systems Division, Continental Diamond Fibre Corporation, Tatnall Measuring Systems Company and Krouse Testing Machine Company, the latter three wholly-owned Budd subsidiaries.

We also created a new department within the company, the Electronic Controls Section. This section will have responsibility for the engineering, manufacturing, sales and servicing of automatic welding controls developed in our research laboratories and other products which may evolve from these basic ideas.

In June, we established a Western Sales office with headquarters in Los Angeles to bring about closer relationships with the expanding aircraft and missile industry in that area and also to bring the products of our new divisions more forcefully to west coast markets.

The rapidly growing list of products produced in our new divisions and subsidiaries provide evidence of the continued progress of our diversification program started some four years ago.

In Tatnall and Krouse, we now have developed or acquired what may well be the most complete and advanced line of physical testing equipment in the nation. Modern technology is continually demanding finer, more accurate and more versatile testing tools. Tatnall is prepared to supply either stock machines capable of performing a variety of functions or to develop specialized measuring systems to fit individual needs.

Similarly, Nuclear Systems has a complete line of radiography equipment utilizing Cobalt 60 and other gamma radiation sources. Industry has already recognized the advantages of radiography over conventional X-ray procedures and I have no doubt that the demand for these machines will grow. The newly developed Gammascan, a non-contacting gage to measure continuously thickness or density of materials, should prove of great value to the steel, paper, rubber and other industries. Another interesting development in this Division is the growing sales of encapsulated gamma radiation sources for industrial and medical therapeutic use. Budd, with its huge protective cave for the storage and handling of radioisotopes, can offer radioactive sources up to 50,000 curies, more than any other commercial supplier.

While many of the activities of Budd's Defense Division are shrouded in the cloak of security, it is no secret that the company has done much prototype design and manufacture for vital nuclear reactor programs. Included in this work was a large multi-walled, precision welded, stainless steel shield for General Electric's aircraft nuclear propulsion program. The unit, designed and assembled by Budd engineers, was delivered to the Atomic Energy Commission's National Reactor Testing Station in Idaho.

This Division continues to manufacture jet engine components and is currently engaged in a full-scale research and development program to produce stainless steel containers for solid fuel rocket motors.

Through its research program, the Defense Division has developed techniques for the manufacture of high heat resisting, stainless steel sandwich structures. We feel we can provide many of the answers to the problems of missile and high speed aircraft manufacturers in their search for materials and structures able to withstand the stresses of supersonic speeds. The company has a contract with the Navy's Bureau of Aeronautics to establish production procedures for this lightweight welded structure. We have submitted bids to North American Aviation Company to manufacture major components for the recently disclosed B-70, a huge intercontinental bomber essential to the nation's defense program.

Continental Diamond Fibre Corporation has had an unsatisfactory year financially, due principally to the severe effect of the recession on the heavy electrical industry. Here too, however, there has been a distinct pickup in the fourth quarter and we look for considerable improvement in the months ahead.

There seems to be little of a positive nature that can be said at present about our Railway Division except to reaffirm our intention to continue in the business of manufacturing stainless steel passenger car equipment. We are actively seeking business in the subway and commuter car fields, both of which appear promising.

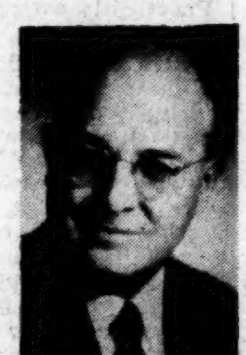
The company intends to bid on and has high hopes of obtaining a contract with the City of Philadelphia for construction of 274 subway cars to cost approximately $22,000,000. A bond issue for this amount was approved by the voters in the November election. Other potential railway business lies in Brazil and South Africa where the company has established licensees on the local scene. In the Union of South Africa, Budd has a 25% interest in a new car-building firm.

Last, but far from least, our International Division is promoting Budd products throughout the world. The responsibilities of this Division have increased tremendously in recent years and I am confident that our participation in foreign markets will continue to expand.

E. F. BULLARD

Chairman of the Board,
Pan American Petroleum Corporation

With a difficult year immediately behind it, the domestic oil and gas producing industry can look forward to a better record in 1959. This should be true despite the fact that many of the problems that plagued its activities in 1958 still exist and seemingly are no closer of solution.


E. F. Bullard

Nineteen fifty-eight saw production and drilling decline again, continuing a trend that began in 1956. It witnessed an increasingly severe squeeze on domestic producers, caught between rising costs on one hand and smaller production volumes and revenues on the other.

The new year will by no means bring about a solution to all these problems, but there are bright spots to which the industry can look forward. For example, we foresee an increase in domestic demand for petroleum products of about 5.5%, to a level of 9.5 million barrels daily. Domestic production will benefit from this higher demand, increasing by almost 8% to 7.3 million barrels daily. This level of production, however, will still leave a very substantial excess producing capacity of about three million barrels daily.

Drilling should be at slightly higher levels, reflecting the increased production. We look for 50,000 wells to be drilled in 1959, among them 11,000 wildcats. These figures compare with 48,000 total wells and 10,000 wildcats in the year just closed.

Imports will continue to be a problem for the domestic producer. Total crude and products imports will probably rise by about 2½%. A decision by the government on what kind of an imports control program it will maintain is expected early in the year, and this may have some effect on the picture.

The domestic producing industry has become accustomed to annual increases in the prices of steel tubular goods, and 1959 will be no exception. Labor costs may also increase. In contrast, the producer can expect little or no improvement in crude prices, which during the past year were subject to widespread downward adjustment.

In another area, the producer faces a continuing harassment in the rigid utility-type of regulation being applied to natural gas entering the interstate market. It is increasingly evident that the sole effects of these Federal controls are (1) to add millions of dollars to the cost of gas service (an added expense that the consumer must eventually pay); and (2) to delay the expansion of that service to the hundreds of thousands of customers who are waiting for it. There are countless examples of projects that have been delayed for as much as several years while producers and pipelines fight their way through the endless red tape brought about by Federal regulation. This is a situation that must be resolved for the good of the nation, if its dependence on energy from natural gas and petroleum is not to be impaired.

Percentage depletion is also under attack, despite its recognized contribution to the industry's success in find-

ing ample reserves of oil and gas over the past 33 years. I am confident, however, that if depletion is looked at objectively and impartially, its true effectiveness will again be substantiated and it will be retained.

The new year, therefore, holds both promise and challenge for the domestic oil and gas producing industry. On balance, and assuming the eventual successful solution of the several problems facing it, the industry appears to be on the threshold of a new era of growth and service to the nation.

G. B. BURRUS

President and Chairman of the Board, Peoples Drugstores, Inc.

The year of 1958 showed a sales increase of better than 10% and an increased net profit. During the year, 40 cities in which we operated were affected in varying degrees by the business recession.


G. B. Burrus

Seven new large self-service stores were opened during the year. Four small marginal stores were closed permanently. The anticipated expansion program for 1958 was delayed because of the difficulties encountered by the builders in financing new shopping centers.

Our expansion program for 1959 includes 20 new large self-service stores in newly developed shopping centers. We believe that these new retail outlets will not affect the volume of our present stores.

The present office will be moved to larger quarters in a separate building which is in the process of being remodeled. Additional warehouse space will be added during the year.

We believe the ample supply of merchandise will continue and our inventories will be maintained at a high level.

The selection of profitable locations becomes increasingly hazardous as the population continues to move and new shopping centers develop.

Greater competition for the sales dollar will keep retail prices at a low level. Aggressive merchandising, improved service and convenience to the customer will, we believe, enable us to set another sales volume record in 1959.

G. C. BUZBY

President, Chilton Company

Gratifying optimism concerning the prospects for 1959 business, appears in the forecasts of the editors of our 16 trade and industrial magazines.

Practically every business indicator in 1959 will show a substantial increase over 1958, according to Paul Wooton, Washington, D. C. member of our editorial board. Our automotive editors see the probability of a 6 million new car year. Our metalworking weekly, "The Iron Age," points to the possibility of the fourth biggest steel year which would be a 33% increase over estimated production of 84 million tons in 1958. Even Cupid promises a big year for jewelers, what with thousands of weddings, postponed because of the recession, taking place next year, in addition to the regular crop.

The total output of goods and services next year is estimated at $465 billion. The total for 1958 is expected to be $439 billion. Industrial production, which is $143 billion at this writing, is expected to go to $150 billion. Wages and salaries now amounting to around $240 billion, may go as high as $245 billion. Corporate profits are expected to reach the $40 billion mark. Personal income now at $358 billion is expected to rise to $370 billion.

Some increase in plant and equipment expenditures is expected. Both exports and imports should rise. No substantial decline in Federal expenditures is expected. Local governments will spend more. Service industries will prosper. Consumer spending will continue to expand. Ninety-four per cent of personal income was expended in 1958.

Durable products with the latest index figure standing at 145 are expected to show a substantial increase over the surprisingly low output of 1958. An increase is predicted in the machinery index. Some improvement in the output of transportation equipment, besides automobiles, is expected. Furniture and other household supplies will have an unusually good year.

The one major category in which a decline may develop is in farm income and marketings.

It is thought that fear of inflation has created an unjustifiable demand for common stocks, and that more interest in bonds will be manifested in 1959.

A relatively new industry, that of aircraft and missiles, is promised to add $15 billion to gross national profit in 1959. This industry already has put four satellites into orbit, sent a lunar probe vehicle 79,000 miles into space and has given manned vehicles true supersonic capabilities. Among its future achievements; hypersonic aircraft — chemically and atomically fueled — ballistic recovery of orbiting man, and TV surveillance of earth and other planets.

More prosaic, but more understandable, is the prediction that 603.7 million pairs of shoes will be made in 1959, about 16.7 million pairs more than the estimated 1958 production.

The bandaged-thumb brigade of do-it-yourself home owners will be buying more bandages—and more hardware supplies—next year. Retail hardware stores expect to do 5 to 10% more business in 1959, and so it goes.

In short, 1959 shapes up as a year of opportunity. For a good many it could prove to be a record year as well.

THOMAS D. CABOT

President, Godfrey L. Cabot, Inc.

1959 is expected to be another good year for carbon black. If general business conditions continue to improve, shipments will be higher than in 1958 and may be near previous record levels. Demand for carbon black was well sustained through the early 1958 business recession and industry shipments for the total year were less than 10% below 1957's. The most important stabilizing factor was a high level of demand for carbon black for use in replacement tires. Today, the replacement tire market is twice that of original equipment tires for new cars. With a constantly increasing number of total motor vehicles on the road, demand for replacement tires offers a fairly steady market for rubber and carbon black manufacturers. In 1959 this market should be augmented by improved demand for original equipment tires. The automobile industry is currently estimating a 5,500,000 car year in 1959, an increase of 30% over 1958.


Thomas D. Cabot

Rapid development of the automotive transportation industry abroad since World War II has resulted in expanding demand for carbon black. In some countries where markets have grown enough to support local plants, American technical experience, know-how, and private venture capital have been instrumental in helping in the development of foreign carbon black production. More foreign capacity will come into production in the coming year. In addition to foreign construction, the growing overseas markets still require substantial shipments of the full range of U. S. carbon blacks and exports continue to account for about one-quarter of all carbon black shipments from U. S. plants.

As the use of natural gas expands in this country, the long-term trend is inexorably towards rising gas prices and increasing demand to fill gas pipeline requirements. The carbon black industry, once the sole user of natural gas, has adjusted to these changed economies of its historical raw material supply and has turned increasingly to carbon blacks made with oil. In the 15 years since the introduction of the oil furnace black process, grades have been developed which have superior properties for many uses — particularly with synthetic rubbers. Today, over half of the carbon black produced in the United States is of the oil furnace black type. Abroad, the development of oil blacks made possible the postwar construction of carbon black plants using easily transportable oil as raw material. It is expected that 1959 will see further shifts away from gas blacks made by the channel and furnace processes and towards increasing dependence on oil blacks.

The carbon black industry has been largely successful in holding its prices in line in spite of the pressures of inflating labor and raw material costs. This has been possible through cost-saving improvements in manufacturing and through the economies of large-scale production. Recently, labor costs entailed in handling small shipments of carbon black have led to greater use of less expensive bulk shipments. It is likely that this trend towards bulk handling will also become more pronounced in 1959.

A. E. CARLSON

President, Comptometer Corporation

The recession, which began to affect the office equipment industry in April, 1957, appears to have reached bottom several months ago and currently shows signs of a slight upturn. The economy appears to be headed for definite improvement in 1959 although not at any spectacular rate. It appears the growth will be gradual in the early stages of the recovery and then increasing at a very rapid rate. We look at the economy in 1959 to be at a higher level than in 1958, but the real upswing not to be of any great magnitude until the latter part of 1959 and into 1960. While the stock market seems to be anticipating an inflationary trend, there are a number of factors in the economy which do not warrant this conslusion at this stage of the recovery.


A. E. Carlson

It is apparent that defense spending will have a material effect on the rate and degree of recovery and, as it looks now, defense will be an important factor and will contribute to probably a more rapid recovery in some segments of industry.

The control of costs is still an important element in the overall profit positions of many companies and the trend towards doing things automatically will be continued at a great rate. As far as the office equipment industry is concerned, more and more emphasis will be placed not only on automatic processing, but on transmission through communication networks to permit the assembling of data over distances in the shortest period of time. In this connection, our company recently introduced a new electronic longhand writing machine called the Electrowriter, capable of operating over wire or radio circuits. This is an important development in instantaneous longhand record communications. The Electrowriter is capable of operating over any single standard telephone circuit. The instrument is used like an ordinary pencil and pad of paper and instantaneously produces local and remote records of the message. The self-contained units range in size from that of a desk calendar to that of a small adding machine with no auxiliary boxes. All Electrowriters are compatible and any desired number can be connected with each other. We feel that these devices will fill a definite need in industry where instantaneous verified communication over both short and long distance is required.

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HAL N. CARR

President, North Central Airlines, Inc.

The domestic trunk airlines collected record revenues during 1958, but net profit remained at or near the 1957 level—the lowest since 1949.

The $30 million netted by the nation's 12 domestic trunks was up $3 million over 1957, but only half the 1956 earnings.


Hal N. Carr

The Air Transport Association of America, spokesman for the airline industry, blames the Civil Aeronautics Board's "hold-the-line" fare policy, the drop in recession travel and strikes and threats of strikes for the bite on airline earnings.

The total U. S. scheduled airline industry — domestic, international, Alaskan and territorial — flew 31.8 billion revenue passenger-miles, an increase of 1.8% over 1957. Mail ton-miles rose to 173 million, an increase of 7.6%. Air express ton-miles rose 4.3% to 48 million. Revenue ton-miles for the entire industry, including air freight, were up 1.5%. These figures are based on an estimate of the last three months of the year.

The local service industry flew 799.5 million passenger miles, a 7% increase over 1957. Mail increased 7.8% to 1.6 million ton-miles. Express volume went up 5.7% to 1.7 million ton-miles. Total revenue ton-miles amounted to 84 million, up 7.1%.

The local service airlines are viewing 1959 as the best potential year. Awards in the Seven States Area case in December meant significant expansion of service to western and midwestern communities, some of them getting air service for the first time. Under the Seven States decision, North Central's system will be increased to nearly 5,500 route miles in the nine states. Cities on the Route of the Northliners will number nearly 70.

The CAB is expected to issue a final order in the great Lakes Area case in 1959, which will mean additional expansion in Michigan. If the board follows preliminary staff recommendations, more than 1,000 route miles will be added to the system.

The local service industry will continue to add newer and larger flight equipment to improve service on the newer and longer hauls. North Central will add five Convair 340 aircraft to its present 32-plane DC-3 fleet this spring and summer. Initially, the Convairs will serve about 25% of North Central's system, mainly on the longer-haul and higher density segments. They'll be moved to other segments as traffic develops.

As North Central completes its 11th year of scheduled operations in February, it maintains its lead over the other 12 local service airlines in passengers, air mail and air express carried. During 1958, North Central carried approximately 780,000 revenue passengers, a 15% increase over 1957. The company's Northliners flew 10,-839,490 revenue miles in 1958. The airline carried its three-millionth revenue passenger Aug. 26. The first million was carried during the company's first 7½ years of operation; the second million during the next two years and the third million in just a year and four months.

Commercial revenues for North Central rose from $7,875,000 in 1957 to $9,500,000 in 1958. Anticipated commercial revenues for 1959 are approximately $12,800,000. With newer, faster and larger flight equipment, improved schedules and an expanded route pattern, North Central will again this year establish new records in the local service airline industry.

GEORGE S. CASE, JR.

President, Stockholders Relations, Inc.

As the extent of the 1958 slump was greater than expected, so the expected upturn of 1959 could be more than mild. We are confident of a reasonably good year for the bolt and nut industry, and it might be one of our best. Lamson & Sessions' modernization programs are showing results in reducing expenses, improving quality, and bettering service. Unfortunately, cost reductions do not keep pace with higher costs, but, without the expenditures that have been made for modernization, our profit picture would be less.


George S. Case, Jr.

During the last quarter of 1958, we had not been getting full benefits from our recent building program, but most of these benefits should come in during 1959. Our expenditures in the future will not be as large as they have been in the past, but they still will be significant as we are not curtailing our new program. There are danger signals flying for all of us in metal fabricating industries. As our customers make more of their products abroad because of tariffs or lower labor rates, we lose a substantial part of our market. Meanwhile, we find ourselves priced out of foreign markets, even those without high tariff walls around them. Our response to this problem is to make, on our machinery, items that heretofore have been made by other processes. It will be successful, but the overall problem of few import restrictions on products coming to the U. S. A., and many import restrictions in foreign countries, needs more governmental attention.

High individual and corporate income tax rates, plus restrictive depreciation allowances prevent the accumulation of resources for greater productivity on present jobs and the formation of new jobs. These problems must be solved before the decade ahead can come true.

In spite of these problems, 1959 would appear to be one of good business activity, and the long-range future appears to be bright.

R. CARL CHANDLER

Chairman of the Board, Standard Packaging Corporation

Standard Packaging Corporation is primarily in the packaging field, manufacturing paper, paperboard, and aluminum foil as raw material. These materials are converted by us into packages, such as folding cartons, paper plates, paper cans, paper pails, paper and aluminum foil labels, milk bottle closures, as well as flexible vacuum packaging materials. Our products constitute all "throw - away" items designed for food and convenience, consumer items, and items of specially designed packages for individual company needs.


R. Carl Chandler

Since we are closely associated with the food field, population increase, and the convenience trend, we are forecasting that the industry will enjoy the highest dollar volume of sales in its history, in the year 1959.

In 1958, about 25 cents of every dollar of disposable income was spent for food. In addition, of the some $72.5 billion spent for food and beverages, about $6 billion was spent on packaging materials. We are estimating that demand will rise for these materials by approximately 8% in 1959. With one out of every three jobs being held by women, who are married and doubling in responsibility as a worker and a home-maker, convenience items will continue to be in even greater demand.

Since the food industry suffered no recession in 1958, our industry does not face any inventory liquidation program. Demand will be good, but with the prospect of higher wages, cost of materials, and the need for greater Research and Development programs, selling prices will likely be competitive to the extent that margins of profits will be stabilized or slightly lower, although total profits will be up.

With inventories in balance, with higher disposable income in 1959, and with Gross National Product at an expected level of $470-$480 billion, our expectations for 1959 are optimistic.

This can only be compromised if a fight against inflation should bring about a tighter monetary policy.

Non-durable items as a whole, we believe, will be higher for the year 1959.

The use of paper service items, that is, plates, cups, place mats, etc., is not only on the rise at the home level, but greater expenditures for these products are being made by institutions, such as schools, hospitals, and churches. The vending machine industry is using more and more throw-away packaging materials to improve their sales.

All the above factors lead us to the conclusion that growth will not only take place in 1959, but it will be at even a faster pace in the next five to 10 years.

GILBERT W. CHAPMAN

President, The Yale & Towne Manufacturing Company

Yale & Towne is looking to a good year in 1959. The resumption of capital expenditure programs by industry generally will be felt by us in a substantial rise in our sales of industrial lift trucks and other materials handling equipment. As we view it now, we expect a substantial increase in our sales volume of this equipment, with particularly important advances made in the sales of heavy duty equipment.


Gilbert W. Chapman

In the construction equipment business, in which Yale & Towne is developing an important role through the expansion of its lines of Trojan tractor shovels, substantial increases are expected responding to increases in new highway and other heavy construction such as dams, airports, sewerage and water systems, and in the supplying industries such as aggregate producers, mines and quarries.

In the lock and builders' hardware business of Yale & Towne, we expect to attain the highest sales volume in the company's 90-year history. Housing starts by year-end, it is believed, will total about 1,200,000 units, although deviations from this level will reflect the looseness or tightness of mortgage money. Construction of schools, hospitals, churches, commercial buildings, retail centers and recreation facilities are, in total volume, expected to exceed the level reached in 1958 even after the strong mid-year spurt. The pick-up in automobile sales, vacationing and similar activities is being reflected in larger sales of Yale locks used as components in autos, luggage and other products.

No appraisal of business conditions in 1959 or the period thereafter can fail to acknowledge the constant presence of inflation. Despite the very strong factors that are bolstering the total economy, the persistent lessening of the purchasing value of the dollar, caused by the rising wage-price spiral, high taxes, and astronomical governmental expenditures adulterate the real strengths in the country's basic economic picture. The net effect of this inflationary pressure is that costs keep pushing up, so that even with large reserves of disposable savings, consumers are being "costed out," of many markets.

Internationally, we are now seeing important adverse effects of America's high costs structure. More and more frequently, American goods are being outpriced in world markets, to say nothing of the rising competition from abroad in our home markets.

The year 1959 can be a most crucial year in the impact that will be caused by inflation. It can also be a year of great progress if statesmanship on both government and labor-management levels combines to arrest inflation.

FREDERICK P. CHAMP

President, Utah Mortgage Loan Corporation

The national outlook is for a rising level of business and continued creeping inflation, which should be the principal concern of our people, the Administration, and the incoming Congress. Barring major international difficulties, the year should see our economy functioning on a pretty well balanced basis again, stimulated by the inflationary pressures above referred to and requiring the restraints which are necessary to control them.


Frederick P. Champ

Regionally, the outlook is for continued growth in population and in both industrial and agricultural production, the latter to be accomplished with fewer, larger, and more profitable farm units. Housing starts, regionally, should be slightly up, and over-all construction, including road projects, should exceed the year just closing. In short, the outlook locally, regionally, and nationally gives more promise than it did a year ago.

HAROLD E. CHURCHILL

President, Studebaker-Packard Corporation

The outlook for Studebaker-Packard in 1959—based on the current sales success of our new Lark, the recent upturn in the auto industry and the continuing strong condition of our national economy—is optimistic. Our operations during the last quarter for 1958 were in the black.


Harold E. Churchill

This was due largely to one thing —the fact that we have a new, smaller car for the motorist who prefers economical, functional transportation. The remarkable acceptance of the 1959 Lark series by dealers and the initial buying of the public is concrete evidence that our engineering and styling program, instituted two years ago and aimed at a selective market, proves that we are on the right track. Our new line of passenger cars, trucks and taxicabs, with the addition of Mercedes-Benz products, will enable us to further strengthen an already enlarged dealer organization in 1959.

In order to properly evaluate Studebaker-Packard's increases in sales, one must take into consideration the marketing strides our company has taken and the results we were able to achieve during the last quarter of the past year.

The public acceptance of the Lark during the first 30 days after its introduction on November 14 and the continued flow of orders from our expanded dealer organization has resulted in a substantial order backlog. From November 14 to December 14 we sold more cars than in any 30-day period since June, 1955, which was a peak month.

Demand for the Lark and Hawk models has been so heavy that since our initial output of the new series, we have stepped up our production at three different intervals since October 20. This means we have gone from 54 units to 70 units per hour still retaining a 53-hour work week. Thus as we go into the first quarter of 1959 we will be turning out approximately 3,700 passenger cars a week.

There are a number of indicators which give us reason to believe that 1959 will show further progress for Studebaker-Packard. For example:

(1) Currently, the Lark and Hawk models are now sold and serviced by 2,479 dealers throughout the United States and Canada. We are adding new dealer franchises each week.

(2) As already indicated there is tangible evidence of the growing U. S. market for the smaller type foreign and American cars. In 1957 nearly 300,000 foreign cars and smaller American cars were sold in the United States. In 1958, this figure rose to 593,261, which now represents more than 13% of the American market. By the end of 1959, we can visualize smaller, economical cars representing an increasingly larger percentage of the total U. S. market.

(3) Barring serious labor strife in the auto parts field, we can set our sights on new production records and achieving the highest sales goals in our recent history.

(4) We foresee further accelerated development of sales and service for the Mercedes-Benz line for which Studebaker-Packard holds the exclusive distributorship

in the United States. In addition to the high prestige car line, we also have the franchise for Mercedes-Benz trucks.

(5) Our new refinancing plan gives us the financial stability to carry out an aggressive new model marketing and sales promotion program and the opportunity to move forward with an acquisition and diversification program designed to bring new earnings into the company.

In 1959 Studebaker-Packard will continue to demonstrate that we have come up with the right car at the right time. As the motoring public becomes increasingly aware that it can purchase a smaller, economical car with large car roominess and comfort, we expect the Lark to have a strong sales impact in the areas previously dominated by imported cars. Many of our dealers in strategic marketing areas are already reporting this to be true.

MURRAY COHEN

Chairman of the Board and President, Consolidated Laundries Corporation

The future of our business naturally depends upon the economic growth of our country. The tremendous strides made by our industry in all parts of the United States means more job opportunities and naturally more customers—an ideal climate for the nature of our business.


Murray Cohen

The Linen Supply and Laundry Industry is one of those service industries that will continue to grow and expand in such an atmosphere. It's product of cleanliness and health in the form of freshly laundered and clean towels, linens, uniforms and garments, which it rents to all types of business and industry, is sold at a cost which is economically sound. This is the basic ingredient which is favorably affected by good conditions. It has established a pattern of growing with the expanded economy of the country and this trend will continue through 1959, in spite of continuing higher wages and increased costs of doing business.

The industry, and Consolidated Laundries Corporation in particular, expects to be able to maintain its profit margin during 1959. Competition will, of course, continue to be very vigorous, which is good for the industry. It will keep all of us on the alert and it will continue to keep us conscious of customers' desires and necessities. This can only lead to improved service, which in itself means more business.

In short, it is my opinion that the year 1959, with its expanding economy and increased population will be a good one for our industry. We, in the industry, are ready and poised to move along with this economy as we have in the past, and while we do not look for the startling or phenomenal gains that have occurred in the past we do hope and expect that the industry, and Consolidated Laundries Corporation in particular, will achieve a five to ten percent gain which we have considered to be normal these past many years.

GEORGE L. CLEMENTS

President, Jewel Tea Co., Inc.

Retail food store sales crossed the $50 billion mark in 1958, an amount nearly equal to consumer spending on new housing, automobiles and all other durable goods combined. The total was up approximately 5% from the previous record of $47.8 billion in 1957. Prices of food sold at retail for home consumption averaged about 4% higher than in 1957 indicating a modest increase in the physical volume of sales.


George L. Clements

Food chains with 11 or more stores had sales of approximately $18.5 billion in 1958, up 7% from 1957. The chains increased their share of all food store sales from 36.3% in 1957 to about 37% in 1958.

Results in 1959 will be affected by trends established during 1958. For example, most of the 1958 gain in food store sales occurred in the first half of the year. The level of sales (adjusted for normal seasonal trends) reached a peak in the spring, coincident with a peak in retail food prices. In the summer, sales drifted downward along with prices. Then as the recovery in general business gathered momentum in the fourth quarter, food store sales began to rise, despite a further decline in food prices.

The present outlook is that food prices will continue to edge downward in 1959, reflecting larger supplies of hogs, poultry and eggs, and probably also of fresh fruits and vegetables if weather is normal. Based on past as well as recent experience, this price trend may act as something of a temporary drag on the growth of food sales, though in the long run it will help to enlarge the market for food by making it even more of a bargain than it is already. In November 1958, prices of food in retail stores were 117.6% of the 1947-49 base years, according to the Bureau of Labor Statistics, or more than 5% under the All-Items Consumer Price Index.

It is generally agreed that the general business expansion now under way will continue into 1959, promising that disposable personal income will be higher than in 1958, possibly by 5% or more. Based again on past experience, as well as very recent results since last summer, the expansion of income will probably raise demand for food sufficiently to offset the temporarily depressing effect on sales of lower prices, so that all food store sales will probably show an increase for the year of 2% to 3%. For the chains as a group, it seems logical to expect that they will continue to raise their share of total food store sales despite the growing competitive strength of affiliated independent groups, and they should be able to raise their sales by approximately the same proportion as the rise in disposable income.

When we turn to earnings, the picture is less clear, as always. The continued upward trend of wage and other costs, combined with the downtrend in food prices, has put something of a squeeze on earnings in recent months for many in the industry. However, this is a situation the industry has faced several times in the past decade and I see no reason why the outcome should be different now.

The pace of new store construction has been rapid the past few years, it is true, but the growth of population, and most important, its continued outward shift to the suburbs, together with the adaptation of more and more merchandise lines for efficient handling through supermarkets, is continually adding to the demand for efficient modern store facilities.

We at Jewel feel that the outlook for earnings for the near term as well as the more distant future is sufficiently promising that we are again planning to open 40 new stores in 1959, the same as the record number opened in 1958.

JOHN S. COLEMAN

Chairman of the Board, Birmingham Trust National Bank, Birmingham, Ala.

Birmingham, as is well known, is primarily an industrial city. While the recent so-called recession affected us, I think we fared very well. There was, and still is, some unemployment but not to an extent to cause concern except to those temporarily out of jobs.


John S. Coleman

During the year-end period, department store sales reached new highs. Bank earnings and deposits attained a peak of all times. Agriculture is an important segment of the state's economy. 1958 was a good year for the farmers. While each year the cotton acreage is being reduced, due to improved farming methods cotton production last year was average. More and more lands are being devoted to pasturage for cattle which in most years is quite lucrative.

Many industrial leaders have recently expressed very optimistic views as to the coming year. Steel, iron, pipe, cement and other kindred products are expected to be in a substantially increased demand.

I believe on the whole 1959 will be a good year.

JAMES D. COONEY

President, Wilson & Co., Inc.

Following two years of declining meat production, it is the prevailing consensus that industry output will once more resume an upward course during 1959, and may reach a level second only to the all-time high of 1956.


James D. Cooney

The general level of livestock prices in the past year was the highest since 1952, while feed grain prices dropped to a 15-year low under the impact of a second successive record crop. Resulting livestock-feed price ratios have provided powerful incentives for increasing livestock production, and account in large measure for the widely-held belief that an extended period of expanded meat output lies just ahead.

Most of the increase in 1959 red-meat supplies will be in pork rather than beef. Beef production will continue to be curtailed, as in 1958, insofar as cattle producers again withhold animals from slaughter in order to build up herd inventories. However, with cattle numbers already back to the record levels of three years ago, any unusual conditions such as unfavorable weather in the year ahead could easily initiate an increase in marketings and a relatively early leveling-off in the cattle population.

Recent cattle-producer interest in expansion comes in part from improved feed conditions, but the steady growth in consumer demand for beef has also aided materially by adding strength to the cattle and beef markets. In the past year the retail value of beef consumed per person reached a record level, approximately 20% higher than only five years earlier.

This gratifying growth rate in the demand for beef provides a worthy goal for the industry-wide effort presently underway to revitalize the consumer demand for pork. Real progress is being made in producing leaner pork products and, with appropriate processing and merchandising, there is ample reason to believe that consumers will again spend a larger share of their incomes on these products over the next few years. In physical terms, pork production over the next decade may not match the 50% increase achieved in beef output over the past decade, but it should easily expand by at least half that amount. The anticipated 15-20% increase in population over this period should alone provide the bulk of demand needed to support such an expansion.

The rapid technological advancements underway in agriculture are providing all the resources needed to expand greatly our livestock supply. We know that our rapidly growing population and the prospective increase in per capita income will provide for a major expansion in the demand for the products of this industry. By meeting the challenge of developing and effectively merchandising the kinds of meat products in growing consumer preference, a significant further enlargement in the demand for meat can be realized, especially in view of the record amount of discretionary purchasing power already in the hands of consumers.

ROBERT E. COOPER, JR.

President, Cooper-Jarrett, Inc.

The trucking industry will have a record year in 1959.

I am no prophet, nor am I particularly known for great optimism; however, the business outlook for motor carriers is unquestionably favorable. Trucking is big business, although until recently few people have realized its magnitude and importance. Our industry handles three out of every four tons of freight in America, and provides employment for eight million people. Statistics on gross revenues received by motor carriers in 1958 will, when complete returns have been compiled, amount to more than seven billion dollars.


R. E. Cooper, Jr.

Big business means public ownership and financial interest from the leading investment houses. It is for this reason that many analysts have found that economic trends of business can be predicted through observing motor carrier tonnage volumes.

It all started 25 years ago. Our nation has changed a good deal since that time. Where formerly manufactured goods were transported by rail in bulk between larger cities, now trucks haul the smaller packaged product direct from shipper's platform to destination. Manufacturing industries have undoubtedly prospered through being able to build industrial sites anywhere, without regard to shipping location, due to the rapid, safe, flexible transport of their products by motor carrier. Trucks deliver to every point in America, and have established unparalleled reliability in the eyes of those who deal with the transport of goods. To them, this means a substantial savings due to efficient scheduled production, and maintenance of smaller inventories.

Motor carriers are aware that dependability is their life blood, and accordingly have pioneered tractors and trailers capable of demanding performance, with the accent on highway safety. Teletype billing, radio control, computed schedules, IBM statistical functions, and the like, go a long way toward insuring on time pickups and deliveries.

The future of our country is in suburban growth as manufacturing industry continues to diversify, expand, and find new markets. Distant from cities, vacant land is constantly being acquired; industrial sites are planned and built, necessitating substantial communities. These areas are served by the motor carrier, delivering and picking up shipments originating from, or destined for, points hundreds of miles away.

It is my opinion that the trucking industry will continue to grow at its same accelerated rate of expansion and improvement.

WILLIAM J. COOPER

President, The United Illuminating Company

The United Illuminating Company looks for business in the New Haven and Bridgeport metropolitan areas to show healthy gains in 1959. This optimistic outlook is reflected by UI's backlog of power and lighting business prospects—a dependable indicator of future commercial and industrial activity used by UI and other electric utility companies.


William J. Cooper

The amount of potential new business for additional electric service is bigger now than at any time during the past five years. Some of the new business, we know, will carry over into 1960 and 1961 because of construction schedules and other projections. Nevertheless, much of this new business is scheduled for the coming year. These include several expansions to our area's industrial plants. New commercial business for 1959 shows signs of strength, particularly with the construction of several shopping centers now underway in the Bridgeport area.

In predictions of annual sales for 1959, UI estimates commercial customers will buy some 6% more electricity for power and lighting while industry is expected to increase its use of electricity by about 7%. New home construction is expected to increase moderately in the area. Construction of apartment rental units is expected to increase substantially to meet the demand for this kind of housing.

Always a favorable factor to our area's economy has been its proximity to New York City and its giant market. An additional stimulant now is the new Connecticut Turnpike which has opened about 1,500 acres of land for commercial and industrial development in this area alone. As a result, UI's area development division has experienced a marked increase in the number of inquiries for land sites and buildings.

The New Haven area's economy has already felt the

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stimulus of the city's $145 million redevelopment program and the coming year will see an increase in the pace of construction. The construction of several office and store buildings had already begun. Redevelopment of New Haven's downtown district has definitely contributed to the growth of economic activity in the city and its surrounding communities.

In Bridgeport where 1958's recession hit harder, there are encouraging signs of recovery that should be followed by business growth. Particularly significant to this city's economic growth are plans now underway for an extensive urban renewal and redevelopment program, similar to New Haven's, that will cost millions of dollars.

Our area's economy is dynamic, continually growing in population and in business. Early this year the UI will start construction on a $20 million expansion of its new Bridgeport Harbor power plant. Scheduled to go into operation in 1961, the 165,000-kilowatt generating unit is twice the size of the plant's first one which went into operation last year to help the company's power production system meet the demands of the economic growth expected in the coming year and in 1960.

LEWIS J. COX

President, Iron Fireman Manufacturing Co.

In making plans for operations during 1959, our company is forecasting a 5% increase in sales volume. Industry figures could well be higher. This is an average increase covering the four fields in which we operate—(1) residential heating and cooling equipment, (2) commercial-industrial steam generating equipment for power and heating, (3) gyroscopes and electronic components for military aircraft and missiles, and (4) machined components for commercial and military aircraft.


Lewis J. Cox

The basis for the projected increase in industry sales during 1959 can be found in the strength of general business activity, which has persisted during the last quarter this year, and in the improvement shown in each of the fields or industries within which we operate.

During the current quarter just ended, the residential heating and cooling industry has made substantial sales gains over last year. Unusual sales strength has been shown in gas-fired appliances such as furnaces and boilers. Sales volume has been boosted by the higher rate of home building and by home modernization programs. This favorable trend should be reflected through increased sales volume of residential heating and cooling equipment in the year ahead.

The market for commercial-industrial steam generating equipment offers excellent opportunities in the coming year. The renewed confidence of industry leaders in the future business outlook should release additional dollars for capital expenditures in plant construction and for replacement of obsolete machinery and equipment. The demand for heavy engineering work continues, and there is no letup in the need for schools, hospitals, churches, and other community projects. This need for new building construction combined with the modernization of firing equipment for existing boilers and furnaces should offer a substantially improved market for commercial-industrial heating and power plant equipment.

Aircraft and missile production is, of course, keyed to defense requirements, and further expansion in these fields seems a certainty in 1959. As a supplier to these industries, we look forward to an increasing volume of sales from this division of our business.

WILLIAM C. CROFT

President, The Pyle-National Company

I look forward to 1959 being a better year for business than was 1958, but I do not subscribe to the opinion many have expressed that it will be a boom year.

In many areas there are indications of improvement, including predictions of increased carloadings and machine tool and automobile sales. On the achievements of the auto industry will depend a great deal of 1959's final record.


William C. Croft

Our own field is largely electrical products and components made for use in industrial and commercial building, the railroads, and defense. We also look forward to progress this year as segments of our market expand their activity.

The railroads have made a strong comeback from the low point of a year ago, with profits on the rise as volume increases. They are again purchasing new equipment, and the unfilled backlog of orders for locomotives and freight cars is up.

Commercial building probably will be steady in 1959, and might even be a little better than in the year gone by. Industrial building, an important field for our industry, shows little sign of advancing for some time, and we do not foresee that it will report improvement before late in 1959.

The heavy defense program will be significant again to companies making electrical parts and equipment. The nation apparently will spend more on missiles, and on the improvement and maintenance of our national defense facilities and weapons.

All of these points signify progress, but none suggest to me an all-out boom. Management still must face the fact that these are highly competitive days, and in some fields productive capacity still exceeds demand. However, for those who operate skillfully in the development of their products and markets, 1959 can be a year of opportunity.

JEROME K. CROSSMAN

President, Ryan Consolidated Petroleum Corporation

The general business picture looks brighter for 1959. If the expected improvement materializes, and is sustained, demand for oil and oil products and gas may well increase as much as 4% to 5%. The recent decision of the U. S. Supreme Court in the Memphis Case held, that it is not necessary for the gas transmission lines to obtain approval from customers before increasing rates. In substance, the decision held that the trunk lines are not to be classified as public utilities. It should be noted that an increase in rates is still subject to rebate. The Federal Power Commission continues to hold the whip hand. However, the decision of the Court is salutary, as utter chaos would have been the result had a contrary result been announced by the Court.


Jerome K. Crossman

For thirty-two years it has been recognized by law that a 27½% depletion allowance on oil and gas is both fair and necessary. Again in the present Congress concerted attack will be made on this percentage. The necessity for the existing percentage allowance is even more apparent today than ever before. The risks inherent in finding oil and gas have increased substantially. Just the threat of this drive will operate as a definite deterrent to necessary exploration.

The lessons of Suez, and now Venezuela, seem not to penetrate the minds (?) of the so-called "liberal" bloc. If the American people are properly informed, they certainly will not permit self-seeking politicians and a few sincere but misguided individuals to sow the seeds of destruction to a great and essential industry—an industry built by men of vision and high courage.

Indeed, by their unwarranted attacks on the oil and gas industry, the self-appointed "saviors" of our country may well destroy that which even they profess the wish to preserve.

JAMES M. DARBAKER

President, Copperweld Steel Company

A rising trend in sales and earnings was evident at Copperweld Steel Company during the last half of 1958 and indications are that the improvement will continue into 1959.

Although the company showed a small loss during the first six months, sales rebounded strongly in August and the deficit was more than overcome. The strength of the recovery carried into the last quarter and indications are that this period may be the best quarter of the year.


James M. Darbaker

The company management was particularly gratified that benefits from the $17,000,000 modernization and improvement program launched in 1955 were beginning to be realized. These benefits become more apparent during a higher level of operations.

The favorable effects of the modernization program combined with a good backlog of orders leads the management to look optimistically toward 1959. The board of directors has authorized substantial capital expenditures for new equipment in key areas.

Aside from the sales and earnings improvement, the big news at Copperweld during 1958 centered around the announcement of the development of "Alumoweld" wire, a completely new product for use in the important electrical transmission and distribution fields.

The Wire and Cable Division started pilot production of this new aluminum-covered steel wire made by a controlled-weld process. Favorable acceptance of "Alumoweld" led to authorization of an expenditure of $1,325,000 for equipment to produce the wire in commercial quantities. Installation of this new equipment is expected to be completed during 1959.

The Wire and Cable Division reports that sales of wire to the telephone industry in 1958 were at the highest level in the history of the company. Copperweld ground rods, another of the division's primary products, showed the strongest booking level in recent years.

The Aristoloy Steel Division felt the effects of the recession during the early part of the year, but production rebounded strongly during the last half of 1958. One of the most encouraging factors was that the division's operating rate compared very favorably with the industry average throughout 1958, whereas in the 1954 recession the division operated at a rate below that of the industry average.

As the result of Copperweld's merger with the Superior Steel Corporation, the Aristoloy Division resumed the manufacture of stainless steel. Special equipment was installed to process the steel slabs prior to shipment to Superior for rolling into strip steel. As the year ended, six of the seven electric furnaces were in operation at the Aristoloy Division.

Because of the slump in the automotive industry, 1958 as a whole was below par for the Superior Steel Division. The lower level of operations provided an opportunity to concentrate on modernization of the plant. Approximately $1,000,000 was spent on the installation of new equipment. The capacity of the hot mill was increased by 20% by the addition of a new heating furnace, which permitted the rolling of heavier coils.

Preliminary engineering work was completed and contracts were awarded for installation of a new $1,750,000 Sendzimir Mill which is expected to be ready for operation by the end of 1959.

Work continued throughout the year on research and production involving "wonder metals" such as boron stainless, zircalloy and beryllium copper. Some of these metals were fabricated by customers into component parts for atomic submarines.

The Ohio Seamless Tube Division felt the effects of the recession during the first half, but ended the year with sales rising in practically all major marketing areas. This division is currently booking orders at near record levels. New equipment was installed in several sections of the plant during 1958 which will help increase efficiency and reduce costs.

Flexo Wire Division reported an improved sales position during the last half of the year. Prospects for 1959 appear to be good. A new tinning process was developed, and the addition of two new cable standers and a new braider has increased the range of sizes offered by this division. Five new high-speed stranders and three new wire-bunching machines to be installed early in 1959 will increase the capacity of this plant.

The Copperweld Steel International Company did business in 66 foreign countries. These include several countries in which sales were booked for the first time. In addition to selling products of Copperweld Steel Company, this division has signed up several domestic manufacturers and will represent them in lines which are not competitive with Copperweld products. With signs of betterment in the economies of Latin America, Europe and Asia, Copperweld International looks forward to a better year in 1959.

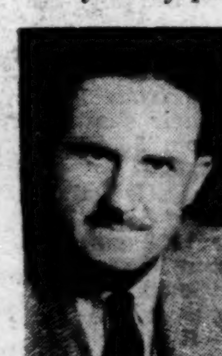
In all divisions there was a heavy emphasis on research and development during 1958. This emphasis will continue as the company continues to seek the manufacture of new products or modifications of standard products which will broaden its markets.

With the new Superior Steel Division working into the Copperweld organization and with the benefits of the capital improvement program beginning to show, we expect 1959 to be a good year.

THOMAS L. DANIELS

Chairman of the Board,
Archer-Daniels-Midland Company

As a supplier of basic materials to all segments of American industry, Archer-Daniels-Midland Company has noted that the business improvement now reaches nearly every part of the economy.


Thomas L. Daniels

It appears almost certain that the economic recovery will continue in 1959. If business and consumer alike exercise restraint, the rise will be steady and healthy rather than a headlong inflationary boom.

Agriculture, so important to the Upper Midwest and to ADM, may not share proportionately in the economic gains. Farm prices have been declining for several months as a result of record 1958 production. The mounting surplus of farm products and lower support prices are expected to reduce total farm income in 1959.

This reduction, forecast at between 5 and 10% nationally by farm economists, may be slightly greater in the Upper Midwest. A continuing decline in farm population and high production, however, probably will maintain farm per capita income at about 1958's record level.

Major factors in the business recovery are the rebuilding of inventories and home construction. Public spending in the form of highways, buildings and defense, also is giving impetus to the business upturn. By mid-year, increased investment in new industrial plants and equipment will further stimulate the rise.

The big question is automobiles. If auto sales are good, 1959 could be a very god year for everybody. If they are disappointing, the upward trend will be slower.

In our own Upper Midwest, where the effects of the recession were less severe than in some other areas, the continuing improvement in business will create higher employment and greater demand for our products. On the Iron Range, increased activity in the steel industry will stimulate employment in the mines.

DEANE C. DAVIS

President, National Life Insurance Company

The economy entered 1959 in the midst of an amazing rebound from the recession of early last year, confirming the earlier impressions that the recession constituted merely a period of readjustment and the establishment of a more substantial base for further prosperity.


Deane C. Davis

The strength of the national economy, as evidenced by this recovery, suggests that 1959 promises to be a more prosperous year than 1958. The softness of some commodity prices and the unused capacity in certain industries serve usefully to restrain further upward pressures on the price level.

The life insurance industry can look forward to the new year with considerable optimism engendered in part by the prospects for a high rate of business activity and also by the essential nature of the service which the industry provides.

Life insurance will continue in the future, as it has in the past, to furnish protection against the uncertainty of life, and the large purchases of insurance during recent years serve strongly to emphasize the public's keen appreciation of the basic usefulness of life insurance. Furthermore, in these days of almost punitive taxes, there exists no more certain method of creating an estate than by means of the purchase of life insurance.

The life insurance industry recognizes changing conditions within the economy, and most companies strive constantly to improve the types of contracts made available to the insurance-buying public. Consequently, the insurance buyer is better able to care for all of his life insurance needs, and frequently at decreased cost. At the same time, most companies are placing more emphasis than ever before upon the training of the men who sell their products, and the field forces thus become increasingly competent in advising prospective purchasers as to the creation of estates.

The high money rates which have prevailed for more than two years serve not only as a restraint upon unwise uses of credit, but also furnish the saver with more adequate compensation than formerly was the case. Higher earning rates make it possible for life insurance companies better to reward the savings entrusted to them, and this in turn becomes another incentive for the purchase of life insurance protection.

Looking ahead to the more remote future, it becomes increasingly clear that this nation will face no greater test than its ability to stem inflation and to preserve the purchasing power of the dollar. The nation's record in this respect during recent years has been almost everything but impressive. Monetary units customarily lose purchasing power during wartime, but unfortunately the dollar has continued to lose its purchasing power even after the termination of fighting. The mastery of inflation calls for sound Federal fiscal policies, and we cannot expect to preserve a sound dollar if the Federal Government continues to incur repeated budgetary deficits.

In an atmosphere of inflation, the expenses which a man and his family incur tend to follow prices upward. Under such circumstances, the need for life insurance becomes more imperative than before. Many persons seem to believe that they can "beat" inflation by the purchasing of equities of one kind or another, but the history of inflation in other countries indicates that few people successfully offset inflation by their own investment efforts. Furthermore, to the extent that they are successful in these efforts, they customarily suffer a severe penalty in the form of heavier taxes. The existence of inflation instead of arguing against life insurance, merely serves to demonstrate that the individual needs more life insurance, rather than less, in order to make adequate provision for his estate.

All of these circumstances point to a continuing promising future for the life insurance industry.

O. PAUL DECKER

President, National Boulevard Bank of Chicago, Ill.

The subsequent movements of the Federal Reserve Board indices of Gross National Product and volume of Industrial Production in the latter part of 1957 and in 1958 reinforces the belief of those who regard the National Bureau of Economic Research's group of leading indicators as having great significance. Further, the substantial stability of consumer purchasing power reinforces the opinion of those who place great significance on the increasing proportion of the population gainfully employed in the service industries as compared to the proportion employed in both manufacturing and agriculture. Moreover, the relative stability of prices during this period, when inventory liquidation was substantial, reinforces the position that the Federal Reserve Board by its use of monetary controls—in this period largely the manipulation of the volume of excess reserves of member banks and changes in the rediscount rate—can decidedly influence the level of prices in the United States.


O. Paul Decker

Hence, at the beginning of the calendar year 1959 almost every forecaster is confident, being of the opinion that business volume and corporate profits will improve in 1959. Undoubtedly this confidence is influenced not only by the opinions previously mentioned, but also by a review of the currently available statistics for 1958 and the continuous and substantial advance in the Dow Jones industrial average. The averages appear to tell us that the rate of corporate earnings will rise in 1959 and to some extent be helped along by a rise in the price level.

Unfortunately economic prediction is not an exact science. One can not mix the multitude of influences on American business in the different proportions in which they are mixed from year to year, and foresee a certain specific result with the certainty that one can mix salt water and sulphuric acid. However, if past experience is to be considered a guide, it would seem reasonable to expect that 1959 will be a year of good volume but not runaway prosperity; and it will be hampered, however, by such actions as the Federal Reserve Board may deem necessary to prevent inflation of the price level and still enable the United States Government to finance its deficit and refund its maturing debt. Currently the means available to the Board are largely monetary with the result that profits for the year may well be reduced by high interest rates, by tight money, and by a shortage of mortgage funds. Numerous, and quite possibly larger strikes, because of the number of wage agreements to be reopened in 1959, may also hamper profits.

While one should not expect the year, in terms of business volume, corporate profits, and individual incomes to be one of difficulty and decline, it does appear that certain "brakes" on continued expansion are becoming increasingly evident. Using terms quite loosely, the outlook for 1959 is for a good business year, not an outstanding one. Management, as always, will be placed on its mettle to show increased profits.

LELAND I. DOAN

President, The Dow Chemical Company

Business will continue to improve during 1959 but industry will continue to be plagued by many of the problems of recent years. We have made a good and rapid recovery from the recession of 1958 and indications are that the economy will continue to improve through 1959 although probably at a more moderate rate than in recent months.


Leland I. Doan

In the line of problems, mention should be made of rising costs out of proportion to increases in productivity resulting in a squeeze on profits. This is not a new problem, but is one that is growing ever more acute and demands very serious study by industrial management. The owners of business have a right to a fair return on their invested capital, and the trend of recent years is placing this right in jeopardy.

Our own company's sales have recovered to pre-recession levels and the final quarter of 1958 was one of the best in history in terms of volume. Magnesium made the greatest recovery and appears to have the best potential for growth percentagewise. Plastics are second in terms of recovery and growth potential.

Building products is one of Dow's brightest growth areas, and by the early 1960's the company's revenue from such products will be in the range of $100 million per year. Indications are that housing starts in 1959 will be at the highest level since 1955. This, coupled with good prospects for the automotive industry, is one of the principal reasons for our optimism. Among the chemical companies we have a particularly large stake in the building industry. I refer primarily to Dow products which go into construction without changing form although sale of intermediate building chemicals is also increasing rapidly.

Dow will introduce two new building products at the National Association of Home Builders show in Chicago this month, one of them being an insulating material for use in roof construction.

We feel that the future of chemically engineered products for the building industry, especially plastics, is limitless, although we are now primarily concerned with construction use of plastic foams and films, the company is turning its attention to the potential uses of plastics in structural components.

HENRY F. DEVER

Vice-President, Minneapolis-Honeywell Regulator Company

We look for increased activity in industrial instrumentation in 1959 after a year of widely divergent trends in the application of automatic controls.

An improved economy, heavy emphasis on research, probable increases in defense spending, and an upward swing in capital outlays by industry will stimulate wider interest in the "tools of automation."


Henry F. Dever

Capital spending during a period of recession and immediately thereafter is pointed more toward modernization than to new capacity. The pressure behind this is the compelling need to reduce costs and increase productivity so as to minimize the inroads of competition and to grow at a profit. It is a pressure that acts as a tailwind for the instrumentation industry.

A recent survey reported that $70 billion would be needed to replace obsolescent equipment in the manufacturing, mining, petroleum, electric and gas, and transportation and communications industries.

There are "no straws in the wind" to indicate that the instrument industry's sales would match the peak levels of 1956-57. An encouraging factor in the year ahead, is the continuing trend through industry toward more complete and centralized control of operations. This is leading to new control concepts and techniques and to new forms of instrumentation.

Today's modern process industries, such as the complex, continuous processes in petroleum refining and chemical manufacturing, require better, faster, more accurate and more versatile control systems. It is in these areas that advanced forms of computing devices, such as digital computers, will eventually come into use.

The recent introduction of electronic controls for the process industries increases the flexibility of instrumentation and provides new products that enable instrument engineers to select the most economical means of control in terms of installation and performance.

Among areas offering a growing potential for instrumentation, are nuclear energy, electric power generation and distribution, the military, and research.

The military not only is an important instrumentation market but many of the technical advances now being made in automatic controls in this field eventually will be adapted to industrial use. It is serving both as a development source and as a proving ground for new principles and new techniques that ultimately will benefit all users of automatic controls.

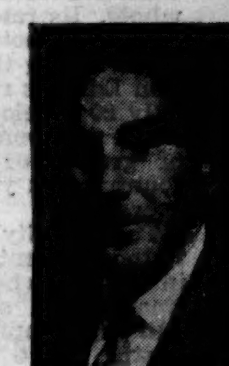
The application of automatic controls should broaden considerably since only a small potential has been realized. American industry is more and more recognizing the positive contributions instrumentation can make in increasing productivity, improving product quality, and in reducing waste.

FRANK H. DRIGGS

President, Fansteel Metallurgical Corporation

Fansteel sales and earnings during the fourth quarter of 1958 improved materially and are still on the increase.

Activities in all the Fansteel product divisions indicate that 1959 sales may reach a new all-time high. The industries in the markets that Fansteel regularly serves are all active, and barring strikes or other serious set-backs, they should all contribute materially to Fansteel's 1959 volume.


Dr. Frank H. Driggs

Growth in our Rectifier-Capacitor Division continued steadily during 1958, and sales of the products of this division are expected to show another substantial increase during 1959.

The Space Age presents a new avenue of opportunities and challenges. Constantly rising speeds of aircraft and missiles have created new problems of high temperature. These problems have sparked research and explorations into structural and engine materials. The metals made by Fansteel —columbium, molybdenum, tantalum and tungsten—all have melting points higher than 3600 degree fahrenheit, and desirable properties of strength and elasticity far beyond the reach of conventional metals and alloys at high temperatures.

Fansteel is already supplying substantial amounts of these metals and experimental fabricated parts for missiles, rockets and space vehicles. A major amount of research and development work is being done toward production of larger ingots, mill forms, parts, improved methods of fabrication, and new alloys.

Consultation and joint development work with aircraft, missile and rocket engine manufactures indicate that extremely large amounts of refractory metals may be required in the next few years for the space programs now under development. The successful completion of even a small portion of these programs will constitute a great advancement for Fansteel.

Fansteel is fortunately equipped with the experience and technical background, resulting from nearly 50 years of work in the refractory metals field, to meet these challenges.

KEMPTON DUNN

President, American Brake Shoe Company

Judging by most available yardsticks, the American economy should show a significant upturn in early 1959, accelerating later in the year. Since American Brake Shoe serves a broad segment of industry, we expect our volume to reflect this upturn. Due to the effect of the company's program to cut operating costs, an increase in shipments should produce a proportionately larger increase in earnings. It is too early to predict with any certainty the extent of any 1959 increase in earnings, or whether earnings will approach the high levels of 1957.


Kempton Dunn

An evaluation of the outlook for American Brake Shoe must consider the prospects for a number of customer industries. From the economic indicators available, we believe that 1959 will shown an upturn in purchases by the auto manufacturers, construction equipment and heavy machinery producers, and the railroads. An increase in auto and truck miles traveled, coupled with the current

Continued on page 36

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increase in the average age of vehicles on the road, should result in improvement of business for those of our divisions which serve the replacement automotive parts market. We also look for a moderate upturn in the mining and ore processing industry, another customer group.

Defense spending for military aircraft may decrease somewhat during 1959, but its effect on American Brake Shoe's business should be more than offset by sustained high-level production of commercial aircraft, plus an increased market for missile structural components and ground-handling hydraulic systems.

The company's diversification program has resulted in our achieving a significant position in the fields of aircraft and industrial hydraulics, and has brought us into the field of high-strength light alloy castings. We expect that 1959 will see an increase in our shipments in these expanding fields. We expect to intensify our diversification program, and are seeking new and profitable product lines through research and development and through acquisition of established companies.

CHARLES E. EBLE

President, Consolidated Edison Company of New York, Inc.

Con Edison's outlook for 1959 is reflected in the $200,000,000 it has budgeted for construction during the year and the billion dollars it will spend on new facilities between now and the end of 1963.


Charles E. Eble

A well-established trend indicates an increase in kilowatt hour sales of about 4.5% annually over the next five years. Gas sales are expected to increase between 5 and 6% annually over the same period.

Because of the unique nature of its territory, which is heavily built up and largely urban, Con Edison's rate of sales growth has been somewhat slower than the industry as a whole. Its rate of growth, however, has been notable for its stability. Even during the 1958 recession year Con Edison's rate of growth dropped only 20% below its 10-year average, while the average decline in the rate of growth of companies over the country that year was 80% below the 10-year industry average.

The stability of Con Edison's growth is directly related to the inherent stability of the New York market. Even in last year's business downturn, jobs in the construction, finance and service industries in the city increased. Although employment in factories and the softgoods industry fell 6 and 7%, respectively, this decline was not as severe as the employment decline nationally.

The sales outlook for 1959 is bolstered by the continuing rebuilding of the city, both with new office structures and with new apartment buildings. Older buildings are being razed and replaced with larger energy users. Almost all new offices and higher rent apartments will be air conditioned. There is also an extensive program of building rewiring in progress, breaking the historical bottleneck of electric consumption in older buildings.

On the positive side, too, are business barometers which tend to show that the current business recovery will continue at least throughout the year; and recently announced plans for large-scale rebuilding of whole sections of the city. This rebuilding confirms New York's position as the management and financial capital of the world.

Con Edison's gas business will also continue to grow as new homes are constructed and as older homes and small apartment houses throughout its territory convert to gas. More than 90% of the one- and two-family homes built in Con Edison's gas territory last year installed gas heating equipment.

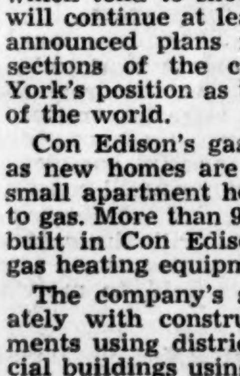
The company's steam sales will increase proportionately with construction of large buildings and apartments using district steam for heating. Large commercial buildings using district steam for heating use steam air conditioning equipment in the summer, thereby helping to level out the large seasonal dip in steam sales.

E. A. ECKART

President, Sapolin Paints, Inc.

Paint sales for 1959 will set an all time record, due to the following four highly significant factors.

(1) The near record construction slated for the new year, totaling some $48 billion.


E. A. Eckart

(2) The rapid recovery of our durable goods industry such as autos, appliances, machinery, etc., all of which need chemical coatings.

(3) The upsurge in housing starts for 1959, estimated at 1.2 million units.

(4) The 15 million postwar homes coming of age and requiring paint-up and fix-up improvements.

Total paint sales in 1959, to both the consumer and industry, should reach almost $1.8 billion, up about 10% from the previous peak year, 1957.

Last year was a mixed one for the paint industry. Sales to the consumer market continued strong with an estimated rise over 1957 of about 4% to almost $1 billion. The many millions of homes of prewar vintage, still the majority in the nation, accounted for much of the continued strong demand for consumer paint coatings.

On the industrial scene, the paint picture was less bright. Due mainly to the recession, in the auto industry and to a lesser extent in the lag of sales of big ticket home appliances, industrial coatings fell 13% for the first eight months of 1958, for total sales of $387 million.

However, the industrial paint situation improved markedly toward the end of 1958. August industrial sales were 8% over July and the fall and early winter months showed a continued acceleration of this upward trend. In my opinion, our entering another boom period will contribute greatly to increased paint sales.

HARRY EDISON

Chairman of the Board, Edison Brothers Stores, Inc.

The year of 1958 brought our own company's operations into its 36th year with an all-time high record of sales which will have mounted to approximately $109 million, as compared with $99.3 million for the previous year.


Harry Edison

In anticipation of increased earnings, it has previously been made public that our Board of Directors at a recent meeting declared an extra dividend on its common stock of 20 cents per share to stockholders of record on Dec. 31, 1958 payable Jan. 12, 1959, and stated that at its next dividend meeting in February it will consider raising the next quarterly dividend on its common stock to 45 cents per share.

During the year our company's expansion program was centered chiefly in and around New York City with results that have proven so far most gratifying. The highlights of this expansion was the opening of two major units in downtown New York City, namely, Chandler's Shoe Salon on Fifth Avenue and a major Baker's Shoe Store on 34th Street across from the Empire State Building.

At the close of the year the company will have in operation 334 units. Approximately 18 new stores are scheduled to be opened during the coming year.

Due to our nation's ever increasing population, I believe a minimum annual shoe production of no less than 600 million pairs of shoes will be produced during the coming year.

As I see it, business in 1959 will definitely score substantial gains over the year of 1958. It is no longer news that our nation's business recovery during the last six months of 1958 has advanced somewhat spectacularly. The economic factors which sustained this business recovery, I believe, justify my prediction that this upswing will extend throughout the full year of 1959.

During the coming year business will be given a sizable boost by the increased billions of dollars our government already stands committed to spend. Such spending is to cover outlays on our defense program and includes substantial outlays to support technological research in the field of electronics, the development of rockets, missiles and satellites.

Increased billions of dollars is now needed to cover outlays for employee compensation, interest on government debt, and on aid programs to state and local governments. Add to this the increased billions of dollars state and local governments themselves will spend on highways, hospitals, schools and housing as well as on many other civic projects. The dollars so spent will drift down to individuals in the way of increased employment, higher wages, increased savings and make available more spendable money in the pockets of our consumers.

The continued increase in our nation's population is bringing millions of new buyers into our consumer markets for all types of goods and services.

We may be certain, however, that more aggressive competition will challenge manufacturers, wholesalers and retailers during 1959 than ever before. This calls for a re-appraisal by management for greater efficiency and how best to prudently economize on operating costs. Manufacturers whose product does not fit in to consumer needs and will not have consumeer acceptance as to value, quality and price might as well write their own obituary.

Due to the ever shrinking purchasing power of the dollar consumers are price conscious today more than ever and their shopping habits are highly selective. Through mass production and mass distribution can unit costs be held in line. No longer can we pass increased costs and increased prices on to the consumer without risking the danger of pricing ourselves out of business.

We are now at a point where we must act wisely to dispel the inflation psychology and inflation fears already in the minds of our people. Both management and labor can jointly do much to relieve inflationary pressure now dangerously prevalent in our economy. Our people continue to enjoy a high standard of living and we as a nation can and must regulate our economy to always sustain this cherished blessing.

Our country's economy is endowed with boundless riches measured in unlimited resources and of immense diversity. Couple this with equal opportunities America offers all its people. What greater inheritance can we have to sustain the high living standards our people do enjoy!

Let us pray that the coming year will lessen the dangers of war and that the people of our nation shall enjoy the fruits of a world at peace and bring real brotherhood to all humankind.

H. A. EDDINS

President, Oklahoma Natural Gas Company

The gas industry entering 1959 with a record-breaking 32 million customers and annual sales of more than $4.5 billion, is confident that its dynamic growth will continue throughout the year to provide even greater service to residential, commercial and industrial consumers.


H. A. Eddins

As evidence of this confidence the gas industry, fifth largest in the nation, will spend between $1.7 and $1.8 billion in 1959 for the construction and development of gas transmission, distribution and storage.

The number of gas utility customers is expected to rise steadily to an estimated 34 million of whom 31.3 million will be residential customers.

Proved recoverable reserves of natural gas reached an all-time high of 246.6 trillion cubic feet at the start of 1958. During the past decade additions to reserves have been nearly twice as great as the amount of gas withdrawn. The gas industry intensified its research development and promotion activities in the field of gas air conditioning during 1958 with the result that five new gas air conditioning processes have been developed. The likelihood of a major break-through in air conditioning increases as A.G.A.'s research emphasis shifts to a more fundamental approach rather than the exploration and improvement of known processes.

While researchers continued their search for the best possible year-round air conditioning system, the gas industry devoted energetic support to existing equipment. The 1958 shipments of residential units reached approximately 7,800 more than 3 times as many as 1957.

Shipments of other gas appliances and equipment were generally below 1957 levels as consumers tended to delay purchases of major household and other durable goods, but manufacturers now estimate 1959 total sales will increase by more than 4%.

The decided improvement in gas appliance sales during the final quarter of 1958 is expected to continue through 1959 and into the 1960s.

American Gas Association's highly successful Promotion, Advertising and Research (PAR) Plan completed its 14th year of coordinated activities in the fields of promotion, advertising, utility and pipe line research and public information. The 1959 PAR budget has been increased to further broaden and accelerate these activities.

The many significant developments which have made 1958 a "break-through" year for our industry nationally have given it a sound basis for great optimism regarding 1959 and the years to come.

In the territory served by Oklahoma Natural Gas Co., we have particular reason to be optimistic for the year to come. We have been fortunate that the mild recession of the past year has not seriously affected our state.

Oklahoma's versatile economy with its variety of natural resources has enabled the state to resist the declines in business experienced in other sections of the country.

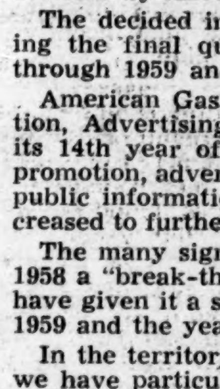
General business conditions in 1958 indicate that 1959 should be the best year on record for Oklahoma. Population growth in Oklahoma Natural's service area resulted in an increase in 1958 of approximately 6,500 customers for a total of 362,272 now being served by the company. We expect a gain of 8,400 new customers in 1959.

In order to keep pace with our population growth and the increasing demands for natural gas by present and future commercial and industrial enterprises, we are planning capital expenditures of over $9.4 million during the year.

A. G. ELAM

President, Southern Commercial & Savings Bank, St. Louis, Missouri

"Inflation" will be the key word in our economy during the year, 1959. The results of the November election point unequivocally to more and larger subsidies which pour more deficit spending into the mill, all of which will cause prices to continue to soar. We have priced ourselves out of many foreign markets, and many sectors of the domestic market; we have lost over $2 billion in gold during the past year; we have seen a loss of faith in the future worth of U. S. Government securities; we have destroyed much of our former faith in fixed dollar investments in American business and other forms of savings. The recent rise in the stock market shows that equity ownership is the so-called "smart money" answer to our key word "inflation."


A. G. Elam

The dollar is still a "hard" unit of currency, but with a government spending more than it is taking in, it cannot remain so indefinitely. The alternatives to inflation will not please some of the people directly involved, but wage raises must be held in a close relation to increase in productivity, farmers must be paid only for commodities that will actually be consumed, business men must hold the price line on finished goods and serv-

ices; our taxes must be raised to cover the excess of outgo over intake.

The spiral of ever-increasing wages has brought us to unprecedented good times and also to astronomical heights of Government, State, Municipal, corporate and individual debt. Sometime in the future, but possibly not in 1959, we are going to have to face the fact that public and private debts will have to be paid or repudiated. We all hope sincerely that payment will be the decision, and that we will curtail our spending programs sufficiently to not only put our budgets in balance but to create a surplus that we will use to reduce our debts.

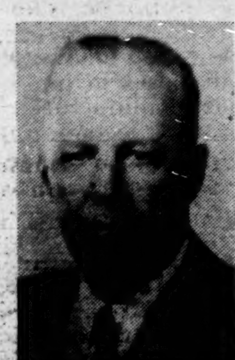
We must grant the proposition that business is generally good and certainly our standard of living is at an ever-increasing high level. What we must not forget is that this is an inflation-engendered prosperity. My feeling is that we enter 1959 in a more cheerful atmosphere than we did in 1958. Business indices are at a higher level. The recession we were experiencing a year ago "bottomed" out in the Spring, and business has renewed its advance with vigor. Our great American prosperity is still prosperous, though all too few of us remember a previous prosperity just 30 years ago.

As a banker, I think it is my personal responsibility to do what I can to help my customers and friends understand the consequences of an unsound depreciating currency. I think that if all of us in a position to influence public opinion actively do so, instead of often hiding our heads in the sand under the delusion that our one voice carries no weight, we will be surprised, and pleasantly so, at the strength and intelligence of the American people as a whole.

JOHN C. EMERY

President, Emery Air Freight Corporation

An increase of 20 to 25% in domestic and international air freight is the minimum that can be expected in 1959. Actually, the rate of growth of this relatively new form of cargo transportation could be substantially greater on the whole, as it surely will be on some of the individual carriers.



John C. Emery

The key factor in this prediction is the increase in cargo-lift capacity that is expected on the airlines in the year just beginning. Airline capacity to move cargo has been the chief limiting control on the volume and rate of growth of air freight, and this capacity should expand sharply in 1959 as the new, large jet and jet-prop aircraft go into service, and as four-engine piston aircraft with greater load carrying ability replace two-engine planes on secondary routes.

Even in the early "recession" months of 1958, air freight continued its gradual though still small penetration of the total freight market. As business conditions improved in the later months of last year, air freight volume responded vigorously. Several of the carriers are known to have broken all records for volume in the Fourth Quarter 1958. Given the favorable business conditions predicted for 1959, and with airline cargo capacity on the increase, volume records should continue to be broken all through the year.

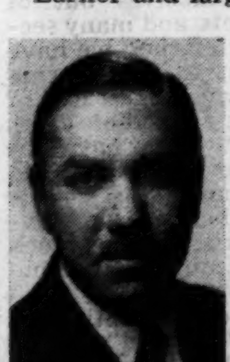
It is in the international air freight field that the largest gains in tonnage are expected. Here again there is the favorable combination of expansion in the market concurrent with expansion in the cargo capacity of the airlines. The jet aircraft will provide the lift; competition in international trade will provide the cargo.

Year to year growth has characterized the business of air freight transportation since its inception following World War II. In spite of expectations, however, there has never been a "break through" of major proportions, a year when air freight volume doubled and redoubled. Even 1959 may not bring the long-anticipated turning point, but it should be a good year for air freight, and should foreshadow the major growth believed to lie ahead in the 1960s.

ROBERT FAEGRE

President, Minnesota and Ontario Paper Company

The Minnesota and Ontario Paper Company predicts favorable prospects for increased sales volume in its several product classifications during 1959.



R. Faegre

Earlier and larger local and national advertising programs now planned for 1959 should result in somewhat higher levels of newsprint and printing paper usage, while the rising demand for consumer goods should call for added quantities of protective packaging and label papers. The multiplicity and mass of papers required for general commercial purposes should also grow as the national economy improves. At the same time, accelerated activity in residential and commercial building is expected to stimulate greater demand for the many structural, decorative and acoustical insulation board products marketed by the company's Insulite Division. In addition, the stepped-up pace of public utility installations to serve expanding population centers, and the reactivation of railroad maintenance schedules should benefit pole, post, piling, cross-tie, industrial lumber and preservative treating volume for Mando's National Pole and Treating Division.

Steady recovery from the second quarter 1958 recession low-point has been evident in the paper, building materials and forest products industries represented by Mando. This is also true of the Upper Midwest manufacturing and farming area in general. Present indications are that 1959 may well be a year in which U. S. business as a whole will resume levels of activity not experienced since mid-1956.

DeCOURSEY FALES

Chairman Emeritus, The Bank for Savings In the City of New York

Leaving aside the question of War because of favorable business trends there should be complete recovery from the 1958 recession for the year 1959.

The Gross National Product in 1959 will increase to $471 billion and the personal disposable income to $327 billion. In the three great basic industries there will be a definite increase in output over 1958. In autos, the unit total will be 5,500,000 from 4,200,000; in steel there will be an output of 112,000,000 tons from 87,000,000; and in home building 1959 will be a good year with 1,200,000 home starts as against last year's total of about 1,000,000. Mortgage money may be slightly higher. Net inventories should increase by $8 billion. Electric power output should be 8% higher than last year. Retail trade should be good and better than 1958.

DeCoursey Fales

There will be more spending by the Federal and state governments and the sub-divisions of the latter; also business will spend more. Federal highways will be pushed.

Prices of goods will not be greatly changed. The cost of living will remain at just about the present rate. There will be more employment. Wages and salaries will increase. Farmers may not be as well off as they are now but not drastically so. Their income may be down 10%. Taxes during the year 1959 will be static.

Business will be subjected to strikes and will be retarded thereby. Inflation will be carefully watched by the government, and curbs will be placed on the economy —if it should appear necessary. Savings will increase about 5½%. Profits will be greater for the businessman and the stockholder. Wages and salaries will be higher.

In short—the year 1959 should be a prosperous year, but caution will prevail in the last four months.

A. E. FORSTER

President, Hercules Powder Company

The outlook for 1959 is favorable for both general business and the chemical industry. While chemical production declined along with industrial production during the recent business readjustment, the output of industrial chemicals probably equaled or exceeded its previous all-time monthly peak in November. In that month, industrial production was still about 3% below its all-time monthly high. The output of industrial chemicals for 1958 as a whole was about 4% below the record level of 1957. Total industrial production showed a year-to-year decline of about 6%.

A. E. Forster

The overall economic picture has been improving steadily since last spring, and it appears now that this improvement will continue in 1959. Inventory accumulation can be expected to help boost production, at least during part of the year. Personal income is at record levels and still rising. Consumer expenditures during 1959, therefore, should be favorable. While business spending probably will remain near present levels during the first quarter of 1959, revival in capital expenditures is anticipated during the last nine months of the year.

With the expected rise in general business in 1959 to a level above that of 1957, production of industrial chemicals for 1959 as a whole should reach another new all-time high. The increase over 1958 may equal the past long-term growth rate of about 8% a year. The physical quantity of sales of the Hercules Powder Company is expected to share in the improvement shown by industrial chemicals.

The outlook for virtually all of the industries served by Hercules is favorable. Increases that are well above average are anticipated in iron ore, bituminous coal, steel, household appliances, plastics, and passenger car production. Favorable increases are expected also in the protective coating, cement, furniture, and synthetic rubber industries.

In summary, 1959 is expected to be a year of significant improvement in general business, and production of industrial chemicals should exceed the 1957 all-time high level by a comfortable margin.

HOVEY T. FREEMAN

President, Manufacturers Mutual Fire Insurance Co.

The last few years have been years of heavy losses for about everyone in the business, but during 1958 losses for the Factory Mutual Companies, for whom I speak, returned to the normal expectancy. The growth in new business in 1958 has not been as large as in prior years due to industry having cut back on its plans for expansion during the recent recession. It is my feeling that industry overbuilt in the past decade and that the slow-down in new construction will continue for a while longer until the existing capacity is no longer adequate. Higher values caused by the creeping inflation of the past several years have added materially to our total amount at risk.

Hovey T. Freeman

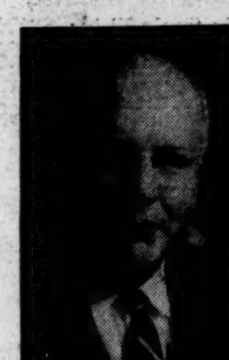
As regards finances, the stock market has been very good to us but appears to be "top heavy," apparently anticipating earnings two or three years from now. The advance in stock prices has more than made up for the drastic shrinkage (due to rising interest rates) in the market value of Government and Municipal bonds. Fear on the part of the public that bond prices may go still lower as the result of unsound policies on the part of the Federal Government in spending a great deal more than it takes in, has caused many investors to rush into common stocks. This fear undoubtedly stems from the fact that the public is figuring that inflation may be going from a so-called "creeping" stage to a "walking" stage.

It is my belief that the spending by the Federal Government is out of control. Politicians rather than statesmen are "calling the shots" in Washington. They are listening to the unwise clamor of the multitudes, organized labor and the farmers for more handouts at someone else's expense. There is only one answer and that is decreased spending and not increased taxation, which is already too high. Unfortunately there is no probability that this will take place, however, as far into the future as we can see, conditions being such as they are. There is bound to be a day of reckoning.

W. RANKIN FUREY

President, Berkshire Life Insurance Company

It appears that in 1959 the life insurance business can expect gains comparable to those realized during the past four or five years. The gains, however, will continue to be hard won.



W. Rankin Furey

There is no reason to believe, for example, that in 1959 it will be easier to convince the average man that he should invest current income in a product or plan from which no immediate return will be realized. Many elements in the political and economic panorama, including labor's approach to wage rates and government's approach to the national budget, are geared to immediate needs and add fuel to the already roaring fires of inflation at a time when all of us should be stamping out this potentially dangerous blaze. These factors, coupled with the still prevalent misconception that with life insurance you must die to win, continue to inhibit the distribution of the product.

Offsetting these negatives, however, are fears based on national and international economic and political unrest that drive people instinctively to the kind of self-provided, personally controlled, financial security provided only through life insurance. Also, the life companies have wisely geared their policies and merchandising techniques to the varying needs and purchasing power of all economic levels, thus making life insurance more attractive and easier to buy for more people.

These factors, plus the increasing acceptance of the life insurance agent as a professional family and business financial counselor, lead me to believe that 1959 will be another "good year" for the life insurance business.

ALFRED M. GHORMLEY

President, Carnation Company

In commenting on the 1959 outlook for the food business, it first may be helpful to briefly outline Carnation's diversified operations. The company now includes nine operating divisions, their principal products being Evaporated Milk, Instant Non-Fat Dry Milk, Malted Milk, Dog and Cat Foods, Stock and Poultry Feeds, Fresh Milk and Ice Cream, Frozen Foods, and Cereals. Foreign markets throughout the world are served through a controlled affiliate. In the United States and Canada, cans are manufactured in 10 plants, both for use and for sale.

Alfred M. Ghormley

It is evident that, as a factor in the food industry, Carnation's destiny is closely bound up with both the domestic and the world economy. For the most part, business is effecting an orderly emergence from the recent recession which should provide a sound basis for sustained recovery. As for the food industry, it has demonstrated

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notable resilience and vitality, having been among five non-durable industries which, in October, exceeded their 1956-57 production peaks. Based upon current performance of the industry and that of our own business, we look forward to a good year in 1959. There are several factors which lead us to this conclusion.

Population growth, according to the most recent statistics, is continuing at an even higher rate than was indicated by earlier estimates. The trend of spendable income indicates that in 1959 the great majority of American families will be able not only to enjoy adequate food requirements but actually to continue upgrading the quality or unit value of their food purchases.

Less than 20 years ago the entire food volume consumed in this country amounted to $16 billion. In 1958, it is estimated to reach the almost unbelievable level of $41 billion, even as adjusted to constant dollars. This represents an increase of 156% while the population was rising only 35%. Thus, during this period, the dollar food consumption per capita will have increased 89%, due in a large measure to consumer upgrading in quality.

The food industry, including our own company, will continue to introduce new and improved products in 1959. These products will provide to an increasing degree the "built-in" convenience and refinements for which the consumer has demonstrated a willingness to pay the price. This will mean not only greater consumer benefit and enjoyment but also wider markets and opportunities for distributors, manufacturers and producers of raw material.

Nonetheless, we are keenly aware that Carnation or any other company in the food industry cannot hope to simply "inherit" a good year in 1959 by virtue of these apparent favorable factors. Operating costs will continue to increase in 1959. Some of these will have to be passed on while others will be offset by greater efficiency and productivity, or just be **absorbed.** This will intensify the already major problem of maintaining increasing profit along with expanding sales. This problem will be further aggravated by the more competitive situation which undoubtedly will prevail in 1959.

All in all, however, it is our belief that 1959 will be a good year for the food industry providing product quality and innovation, together with efficient operation and sound marketing practice, are vigorously maintained.

Our economy has evolved from the war emphasis on technology to a postwar emphasis on marketing. Today we face the challenge of a recovery situation which demands a dynamic combination of creative marketing and creative product development.

Our business, as any business, ultimately is "ruled" by "Mr. and Mrs. Consumer." The kind of business year we have in 1959 will be determined by how well we anticipate, influence, and fulfill the needs of America's consumers.

BRUCE A. GIMBEL

President, Gimbel Brothers, Inc.

The general recovery which started during the early months of summer is lifting consumer incomes to record levels. Employment will probably reach new peaks during 1959. We in the retail business look for a period of moderate increases in our downtown department stores something on the order of 3%. Our branch stores which have still not captured their full share of their potential markets, being on the average only two or three years old, will probably show increases in the neighborhood of 10%.

Bruce A. Gimbel

In spite of our belief that sales volumes will increase, we believe that 1959 will be a period of intense competition and our company intends to capitalize on it by doing everything within our power to keep prices down and to serve the public by helping to fight inflation.

JAMES P. GILL

President and Chairman of the Board, Vanadium-Alloys Steel Company

Our company produces specialty steels, which include tool steels and hundreds of compositions for special applications. We do not manufacture a finished or direct consumer product. Every manufacturer, regardless of the product he makes, must use something we or our competitors make, somewhere in their process of manufacture. We manufacture its product in diversified forms, such as: ingots, billets, hot rolled bars, plates, sheets, forgings, cold drawn shapes, drill rod, cold formed shapes, tubing, etc. Such wide usage of our steels results in our sales usually coinciding with the general manufacturing index; however, some of our steels, such as high speed steel, are subject to inventory adjustments and the sale of these products for 1959 is likely to be greater than others.

James P. Gill

Our general business has been increasing slowly but definitely since the summer months and it appears that this increase will continue through 1959. Since the materials of our manufacture must be further fabricated by the purchaser, our 1959 business will depend upon general construction (including roads, factories, homes, etc.), the sale of automobiles, trucks, airplanes, household equipment, machinery and an almost unlimited number of other products. Some general business indexes would have one believe that all types of manufacturing and business were back to the lush days of the summer of 1957. Certainly, this is not true with general metal manufacturing and fabrication. The steel industry, operating in mid-December at a rate of 75% of capacity, is ample proof of this statement. We do not expect our sales in 1959 to equal those of either 1956 or 1957, but we do expect a substantial increase over 1958 in the neighborhood of 15-20%, which we would consider most satisfactory and sufficient to result in very substantial profits for this company. However, should a general steel strike take place in the coming summer, it would greatly upset production in most of the industries that we serve.

LEON GODCHAUX

President, Gulf States Land & Industries, Inc.

The year 1959 should see a slow, continued improvement in business quarter by quarter leading up to an even better year in 1960.

Consumer spending, which was checked remarkably little during the recession year of 1958, will probably be at an increased rate during 1959 as the fear of unemployment is dissipated.

This consumer willingness to spend during the past year, despite the recession talk which he heard from all sides, is imbuing business with a greater confidence in the national economy. Expansion plans which in 1958 were sidetracked or curtailed are being revived and the new year will see a higher level of spending for new plant and equipment.

Gulf States Land & Industries, Inc., which is engaged in developing thousands of acres for industrial commercial and residential purposes, is watching with great interest the spending plans of business which economists expect will be by the end of this year at the rate of $70 billion a year compared to the current $62 billion.

In Louisiana, industrial growth is principally in basic industry which is being attracted by extensive local resources of minerals, forest, agriculture and water. This growth, after a slowdown in 1958, is expected to intensify in 1959 and subsequent years. This continuing expansion in basic industries will be followed by establishment of a larger number of processing industries which will convert the new basic products into consumer goods.

The increased business spending, working hand in hand with increased spending by consumers and more government outlays for schools, hospitals, sewerage and drainage facilities, roads and streets and other public facilities, will raise the level of employment and productivity and result in a healthy but not spectacular economic condition.

The cost of living will show a slight uptrend because of stronger inflationary factors, but the increase in living costs will be more than offset by gains in income from all sources—wages, salaries, investments.

Higher personal income, an increasing population and expanding industry will help the home construction industry to maintain the gains it made in 1958. Our own company's operations in this field, for example, are improving with a pickup in industrial development along the New Orleans-Baton Rouge stretch of the Mississippi River.

The only segment of the population which likely will not be as well off in 1959 as in 1958 is the farmer, whose income, despite expected good crops, should be smaller than for the past year. Contributing to this will be smaller prices for increased production, rising costs and declining Federal payments. The cost-price squeeze will cause many farm families to seek to augment their income through jobs in industry.

We also view with some apprehension, prospective developments in the labor field, which could be a depressing, or at least an unsettling factor injected into the situation.

F. W. GODSEY, JR.

President, Electronic Communications, Inc.

A rapidly growing segment of our national economy for 1959 is the electronics industry; most of the increase is to supply the advanced equipment requirements of our military forces during a period of major evolution in national defense. The volume of defense electronic expenditures has grown from $560 million in 1950 to over $4 billion in 1958. The changing composition of major military procurements, brought about by the impact of technological progress, is easily followed in successive Defense Department budgets. In the 1959 aircraft program all new fighters and bombers are capable of supersonic speeds and with the emphasis on guided missiles and nuclear weapons, these devices and their ground controls utilize electronic techniques to an increasing extent each day. As a result, expenditures for electronics are rising substantially. Entirely new and vastly more effective radar and electronic communication equipments are required for ballistic missile detection, tracking, and control systems.

F. W. Godsey, Jr.

These rapid changes in military weaponry are based on a factor of fundamental importance: development of atomic and hydrogen bombs appear to have reached a peak of almost unbelievable destructive power. In view of this, we must concentrate on devising more rapid, efficient and positive methods for delivery of such weapons, if need should arise, and for preventing their possible delivery by others. To reach this objective requires major advances in electronics. We must also recognize the probability of limited warfare, in which more conventional weapons not utilizing either fission or fusion devices as the payload will be relied upon. Police actions and the prevention of border harassment do not necessarily indicate A or H bombs. Superior electronics can save lives here too.

On an international basis, research programs of the United States and of its principal antagonist are competing in the race to develop the most accurate, effective offensive weaponry and the most reliable electronic countermeasures. In this situation the demand for advanced military electronic systems and components is well established. With international tension certain to continue for years, the market for advanced electronic devices will remain strong. Companies qualified to create, develop, and produce the required electronics have outstanding opportunities for service to the nation.

The principal areas in which the Department of Defense requires electronic advances are for underseas warfare, missiles, aircraft, and communications and radar for both airborne and surface use. The recent establishment of the Advanced Research Projects Agency further emphasizes the major participation of the electronics industry in the massive outer space research program.

In the defense electronics industry there are several levels of production leading toward an end product for the ultimate customer, the government. They range from individual components to integrated weapons systems, the final end product. At each level competent research and development efforts are required to originate and bring to production needed technological advances. Larger corporations usually can support extensive research activities, and therefore are frequently better able to compete for government business. There are many smaller companies that specialize in research and development, however, and do an outstanding job. No matter what level its operation, the growth of every company in defense electronics is finally determined by the professional standing and skill of its research and development staffs.

The effectiveness of America's defense now depends in large measure of the creative efforts of the men in the electronics industry.

ALBERT M. GREENFIELD

Chairman of the Board, City Stores Company

Two projects in Philadelphia, announced during the past year, are symbols of the growth before us as we enter what economists are beginning to call the new Golden Age of economic development in this country.

The first is the dedication with which we are moving forward in the broad complex of urban renewal activity. The other is in the significance that we are first in the building of a privately-developed nuclear power plant as recently announced by the Philadelphia Electric Company in association with 50 other private utility organizations.

... ... Greenfield

Both of these enterprises are being launched with the closest kind of cooperation and participation with our Federal, city and state governments. These combined and harmonious efforts are but pilot projects for a new area of coordinated endeavors in which we will see private enterprises join with governmental agencies in far-reaching undertakings in industrial growth, transportation, commercial and housing construction, expansion in education, in developing power resources and, indeed, in planning and financing of the modernization, rehabilitation and renewal of our cities.

This is a new and enlightened approach to problems; still, it is only the application of the proper function of government in the complex of problems which the city of the nuclear age presents.

During the past year, we experienced a threat of a recession of sizable proportions out of which we are presently emerging—largely because of private business leadership in our efforts to meet the demands placed upon us by our position of leadership throughout the world, coupled with an ever-increasing need for economic expansion to satisfy our domestic needs.

Our present annual rate of growth of 3.7% of our Gross National Product is substantial; yet, it is not enough if compared with the comparable growth of Russia and of several other countries as well. This expansion must be in urban activities, for industry is essentially an urban endeavor. It is for this reason that urban renewal and the development of regional concepts in city development must receive top priority as a national policy in the year ahead. It has already been recognized that the Philadelphia marketing area of 10 counties of Eastern Pennsylvania and South Jersey will expand within the next few years to a regional area ranging from Trenton, New Jersey to Wilmington, Delaware. Even this is but an intermediate step in the prospect with two decades of a megalopolis complex which will draw into a single orbit an urban and industrial range running from Norfolk, Virginia to New York City and beyond.

That this is a practical reality, taking shape before our eyes is the reason for renewed demands for regional cooperation among local units of government and for markedly increased State and Federal participation in the planning, the financing, the revitalization, and rebirth of our cities.

The renewed requests for increased attention at the

Federal level for the problems of our cities is not a question of pushing local burdens onto larger provinces of government. It is, rather, that the problems themselves transcend both the economic resources and the political jurisdiction of cities and states, and must seek the solution at the proper level. Decisions of this kind are not and cannot be political ones, since they are born of economic realities. The call on the part of cities and states for Federal participation is but a request that our national government recognize what is already happening in the economy of our nation and that they apply sound political solutions to the problems created by the economic growth already in progress.

The normal growth of our metropolitan areas — engendered by the necessary expansion of our great industrial complex to meet the demands of our dynamic national economy — will speed prosperity throughout every phase of our local business activities. To meet that challenge in the best interests of all our citizens, it is necessary simply to match the most diligent kind of application to each job with the broad gauge planning and individual initiative which has made America great. If we measure up to this great challenge, we are at the threshold of its truly Golden Age.

WILLIAM L. GREGORY

President, Easton-Taylor Trust Co., St. Louis, Mo.

The outlook for 1959 is at this moment generally good. It seems to me that we have led ourselves through a very difficult time during the last 12 months but we seem to have escaped the threat of serious economic reaction. I think it behooves us all to take an accounting of our position. We have unquestionably gone through the longest and most severe period of inflation in the history of our country. Never have we looked upon such a tremendous inflation so casually and never have our people borrowed so much money individually. It seems to me that there is quite a bit of danger in this tight budget situation in the average American family.


William L. Gregory

It is unquestionably true that the Federal Reserve Board has very ably protected us from some of the unfortunate things that could have resulted from this inflation but I think we should not depend upon them to carry on this impossible job forever.

It seems to me that this might be the time for good sober American businessmen and other citizens to determine on a reasonable retrenchment, a payment of debts, and the building of some reserves. Then if our superior intelligence and excellent planning and even our plain good luck should fail us we will protect ourselves somewhat.

JOSEPH GRIESEDIECK

President, Falstaff Brewing Corporation

Although the brewing industry's sales figures have remained fairly static for the past few years, sales of Falstaff have been continually rising. Prospects for our company, as well as the industry—both in 1959 and the longer range — appear bright. One reason is that we expect there will soon be a substantial increase in the number of people of beer-drinking age in our population.


Joseph Griesedieck

From Falstaff's standpoint, this optimistic outlook is principally presaged by a continuation of our hard-hitting marketing and promotion program which enables us to consistently reap a share of the industry's sales in our marketing territory.

Our policy of depth sales has given us an average sales penetration of about 16% of the total beer business in our 25-state marketing area. Although this market territory contains only 42% of the total United States population, and but 33% of the total national beer consumption, Falstaff is the third largest brewing firm in the nation in terms of sales.

Despite a decline in the nation's economy early last year, Falstaff registered new records in 1958, both in dollar sales and barrelage. Net sales topped $100,000,000 with about 4,500,000 barrels being sold.

Our sales estimates for the next two years show about a 5% gain each year in existing markets.

The brewing industry is somewhat less vulnerable than others to downward fluctuations in the nation's economy. For that reason, total beer consumption for last year should show little, if any, effect of the 1958 recession.

Although our total earnings for last year reflected some detrimental effects of work stoppages in the spring, we anticipate increased earnings both this year and in 1960 despite higher wage and material costs. Some measure of relief from the price-cost squeeze is expected from price increases effected late last year in St. Louis and fringe areas.

Shipments from our most recently acquired brewery, Plant 10 in St. Louis, began last June. With the closing of our oldest and least efficient unit, Plant One, combined production capacity of our two St. Louis plants now reaches a new high of 1,500,000 barrels annually.

This year our plans call for further consolidation of our recent gains, with no new major market expansion in the picture.

However, present indications for 1960 are for greater expansion of sales territory and facilities to meet increasing demand for our product.

JOSEPH B. HALL

President, The Kroger Co.

We envision an optimistic but challenging picture for the food industry in 1959 and anticipate a 7% to 8% increase in Kroger sales during the year.

On the basis of expanding population alone, the food business should continue good in 1959. Moreover, improvement of business conditions generally will be reflected in increased food sales.


Joseph B. Hall

We anticipate a continuing search for more efficient operating methods, necessitated by the rising cost of doing business. At the same time, there is a growing demand by homemakers for more and more convenience foods—prepared, ready-to-heat dishes that save time in the kitchen.

The popularity of convenience items has led food manufacturers and processors to streamline their own operations and to develop more efficient handling methods. Processors anticipate more packaging at the growing source and transport and delivery of such items as flour, shortening, and sugar in bulk in specially-designed rail cars rather than in boxes, cans, or bags as time and effort saving features. Automatic manufacturing methods which speed production and reduce costly handling, and new facilities for producing complete dishes rather than base products are among the developments under way or planned for the near future by food product manufacturers.

On store shelves, the ready-to-serve foods are attracting more and more consumer food dollars, particularly in the area of frozen foods.

Complete frozen dinners have now been joined by vegetables and casserole dishes which come in plastic bags, to be heated "in the sack" and then transferred to serving dishes with no-muss-no-fuss convenience and full flavor.

To a greater extent than before, the battle for the customer's dollar will be waged along retail store shelves where established brands must fight to maintain their popularity against new or improved products.

Cost conscious shoppers may give an edge to less expensive or private label items in some areas. However, acceptance of national brands reinforced by extensive advertising is strong. Kroger puts the choice up to the customers and will continue to stock the brands they indicate they want by their purchases.

H. THOMAS HALLOWELL, JR.

President, Standard Pressed Steel Co.

We anticipate greater capital expenditures for 1959 than generally predicted—and thus better business for the overall economy and the metalworking industry in particular. In contrast to the generally good, but somewhat uneven, recovery throughout industry, we feel that all segments of the metalworking industry most certainly will be participating in the upswing by mid-1959.


H. T. Hallowell, Jr.

The rebound, though, is introducing a different kind of game, as many industrialists have already discovered, with ingredients not present in recent boom years.

The imminent prospect of the fabulous '60s, generally expected by most economic authorities, should tip the balance on many capital equipment orders, particularly for machine tools, that might otherwise remain on the fence.

With business picking up and new orders coming in, companies that need new equipment to meet the increased demand will be foolish not to order it immediately, despite any prior plans to the contrary. Smart managements will anticipate machine tool needs and make up their minds quickly.

This will speed and intensify the familiar chain reaction thorughout the economy that normally results from higher levels of investment in capital goods.

With the inevitable resumption of the creeping increase in costs, furthermore, capital investment in better plants, machine tools and tooling details will be a common-sense means of cost cutting for many companies.

SPS, a leader in the precision fastener field and volume producer of steel shop equipment and office furniture, has purchased more than 1% of the output of the U. S. machine tool industry for the past two years, and expects to continue its consistent expenditures on plant modernization. The company has invested $30,000,000 in the past five years.

During the rapidly receding recession, customers became used to prompter deliveries, higher quality and better service at no extra price—ingredients that have not universally applied to rebounds of the past. These elements will be retained, though, in the new and better business game of 1959, at least by those shrewd ones who will make maximum use of the potentials.

Firms must take a new look at their inventory and its control. There has been a virtual clean-out of inventory in most fields, but it's just not possible to take care of mounting customer requirements from empty shelves. Those who continue to maintain them will either lose out on business or have to pay in profits for having to "nickel and dime" new orders, as they come in.

And looking beyond considerations of customer service to the increasingly high cost of clerical work in doing Business, a sound investment in inventory will just be another way to effect cost reduction savings.

The year 1958 pointed up the value of continuing research and the deficit of obsolete plant and equipment. Companies with needed new products and efficient new plants generally managed to hold their own, if not even advance, during the past year.

SPS, an accepted leader in research and development in its field, anticipates record sales for 1958 ($65,000,000 against $61,740,000 the preceding year) with only slightly reduced net earnings (after depreciation and taxes). Cash earnings (net after taxes plus depreciation) will be at an all-time high.

The year past provided virtually all managements with an opportunity to take stock and lay a foundation for the much better years ahead. Corporate performances during 1958 could well be an enlightening indicator of future form. Certainly the better-than-average current performer should be expected to grow in the healthier environment unfolding.

We anticipate a resumption of the company's natural growth pattern, which saw the firm rack up sales gains of 20% or more in each of 1955, 1956 and 1957.

DR. LEWIS H. HANEY

Economic Consultant to Chicopee Mills, Inc. and National Association of Purchasing Agents

On January 1, 1959, the most important facts bearing on the outlook for business in general, and cotton textiles in particular, are:

(1) The considerable rebound from the recession of 1957-58 has rounded off. Only the delayed effect of ending strikes in automobile, copper, and related industries, obscures this fact.


Prof. L. H. Haney

(2) Much uncertainty exists. (a) Price trends are affected by foreign competition and reduced exports, pressure of substitutes, over-capacity, large unliquidated inventories, and political policies. (b) Costs are subject to labor demands, tight money threats, and limited volume of output.

(3) Fear of a profits squeeze is widespread.

(4) Fear of a severe stock market readjustment is warranted.

(5) The three foregoing points rest on the inadequate correction of the maladjustments built up during 1955-56. Overcapacity and high ratio of inventories to unfilled orders continue. There is no clean, clear-cut base for sustained recovery in general business or in textiles.

(6) The general background of sentiment is not strong now. Some say: A moderately higher level in 1959. Others say: Higher in 1959; but look out for a crash in 1960 or 1961. (Both groups look forward to a business heaven in the remote thereafter, 1965-75)

(7) The emphasis of a possible steel strike, while having some short-term "bullish" effects, adds to uncertainty. The strike is less likely than it would have been in years past, because of (a) narrow profit margins, (b) foreign competition, (c) big capacity, (d) relatively high inventory, (e) tight credit, (f) absence of business boom, (g) clouded auto prospects, and (h) smart labor leadership which may well decide to postpone demands under these unfavorable conditions.

(8) Credit will be tight, and this will put a crimp in speculative residential building.

(9) Short-term effects of external convertibility of European currencies in weakening the competitive position of U.S. industries will offset hopes of long-term benefits from reduced inflationary tendencies.

Result: Business should tend to sag in 1959.

Cotton textile outlook

Favorable developments are: Some liquidation of high-cost plant, spindles in place reduced, inventory reduced, some recognition of overproduction (shown by partial curtailment). A November spurt in orders makes a fairly active first-quarter probable, and manufacturers' margins show some improvement.

The favorable developments are limited by **offsetting conditions:** The show of strength depends on curtailment by a part of the manufacturers (not a "position of strength"). The gain in unfilled orders represents orders at lower prices than now quoted. Stocks of goods are still too high, being only a little under February 1956 or the peaks of 1951 and 1952.

Unfavorable factors: Wide acceptance of the probability of lower raw cotton and ample "free" supply; foreign competition; domestic consumption (since February 1956 averaging only 5.04 yards per capita) still exceeded by production; high ratio of inventories to unfilled orders (53%); demand for finished goods showing little tendency to expand.

The cotton textile situation somewhat resembles mid-1949 or mid-1952. Some basis for a cyclical recovery has been prepared; but, as in general industry, attempts to prevent thorough readjustment, by resorting to curtailment and price maintenance) are causing uncertainty as to timing.

Result: Little forward buying, which makes large inventories and productive capacity unduly burdensome. But, after another reaction, gradual recovery is to be expected.

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A. L. HAMMELL

President, Railway Express Agency, Inc.

The optimistic opinion trend of consumers, management leaders, business and financial groups as indicated in authoritative surveys and voiced at conventions has been considered in determining the outlook for the express traffic potential and revenues in 1959.

A. L. Hammell

Opinion surveys indicate most consumers consider that they were better off in 1958 than in 1957, are confident there are good times ahead, and expect to improve their financial condition in 1959. They plan to increase their purchases of all types of goods and services during the year.

Supporting this attitude of consumer confidence, business leaders are almost unanimous in preparing for greater production schedules and higher sales volumes. A great many are moving ahead with plans for plant extensions and the construction of additional facilities.

Banking and financial groups foresee a new boom toward the end of 1959 continuing into 1960 and do not expect a recurrence of recession conditions.

In view of all these favorable factors it is anticipated that there will be an increased volume of traffic moving by all of the common carriers of the nation.

Industrial, business and financial groups have hailed the constructive effects of the Smathers investigation and report on the situation of the nation's railroads. They have expressed the view that the Transportation Act of 1958 will help materially in correcting some of the conditions which have hampered the railroads in the past. The railroad industry looks for additional relief from the new Congress to correct other unnecessary governmental restraints and inequities which continue to affect it adversely.

The rapidly growing Railway Express World Thruway Surface Shipping Service, now linking all points in the U. S. and shippers and receivers of traffic in 38 free countries, has been supplemented by a worldwide air cargo service. Effective Sep. 1, 1958 the express agency was approved as an Air Cargo Sales Agent for member airlines of the International Air Transport Association (IATA) connecting United States points directly with the airport cities of 106 other countries.

In keeping with the steady growth in the value, number and extent of express services offered, Railway Express has streamlined, modernized and augmented its terminals, materials handling equipment, automotive fleet and rail refrigerator cars. Additionally, the company's management, operating and accounting procedures have been vastly improved. They are as modern as the radio, electronic and technical advances industry can provide. These heavy investments of recent years have helped us prepare for the continuing demands for express service during 1959.

JAY SAMUEL HARTT

President, Middle West Service Company

The electric and gas utility industry weathered the general business recession of late 1957 and early 1958 and showed continued good progress that has characterized the industry during the post-World War II period.

Jay Samuel Hart.

The economic downturn, however, held the industry below its average annual rate of growth experienced in previous years.

The general business outlook for 1959 is expected to exhibit overall improvement over 1958, although a boom year is not expected. Such recovery should be reflected in higher sales by electric and gas utilities, especially to commercial and industrial customers. Residential sales, as in past years, are expected to lead other classes in percentage growth. Unfavorable factors confronting the utility industry are those affecting earnings (1) high money rates (2) increased operating costs (3) reduction in the value of the construction dollar. The resulting pressure on earnings will necessitate many utilities to seek rate increases from regulatory authorities. Whether last November's change in the political control of many of the states will affect unfavorably sentiment for the much needed improvement in the rate of return earned by utilities is still a question-mark.

Total kilowatt-hour sales in 1958 by privately-owned Class A and B electric utilities, which represent 90% of the industry's energy's sales, were up a nominal 1½% over 1957. A 3% decline in kilowatt-hour sales to industrial customers were off-set by a gain of 8½% to residential customers and by a gain of 6% to commercial customers. The higher general business level expected throughout 1959 should be reflected in increased total kilowatt-hour sales of some 8%, from the 1958 total of 502 billion kilowatt-hours to approximately 542 billion kilowatt-hours for 1959. The anticipated gain in energy sales is only slightly below the average gain experienced in the post-World War II period.

The entire industry's non-coincident peak load in December, 1958 was approximately 118 million kilowatts, or about 6½% over the December, 1957 peak. Additions of a record 14 million kilowatts of generating equipment during 1958 boosted the winter margin of reserve plant capability to approximately 27%—a new postwar record. Another 13½ million kilowatts of generating capability is expected to be added during 1959. The total industry's 163 million kilowatts at 1959 year-end should provide a margin of approximately 25% for the anticipated December, 1959 peak load of 130.5 million kilowatts.

Electric revenues of the privately-owned Class A and B electric utilities during the year 1958 were almost $8.7 billion for a gain of about 5% over 1957. Revenues in 1959 should closely parallel the 8% annual rate of growth experienced in recent years to a total of $9.4 billion.

Earnings available to common stockholders of the privately-owned group increased from $1.25 billion to $1.33 billion or about 6% during 1958. Such rate of gain was below past annual earnings growth of about 8½%. For the year 1959, earnings should exceed $1.4 billion for a gain approximately matching the expected 8% gain in electric revenues.

Privately-owned electric utilities, as a composite, earned only a 5.8% return on total capitalization in 1958, or approximately the same as 1957. Faced with the current high money cost plateau and no let-up in increased operating and construction costs, substantially higher percent return is vital if electric utilities are expected to compete successfully with other industries in new financing.

The gas utility sales growth during 1958 fell below recent past rates of growth. Total therm sales amounted to approximately 81 billion therms, up some 5% over 1957. For the year 1959, 86 billion therms should be sold, reflecting an improved rate of gain of about 6%.

Revenues of the gas utility industry for 1959 are anticipated to total $4.8 billion for a gain of 8%. Such improvement would exceed last year's revenue gain of 7%. Earnings, assuming a continuance of the recent average carrydown of 10% of operating revenue to net income, should amount to about $465 million, after preferred dividend requirements. Improvement in carry-down of revenues to net income will, of course, be subject to gas utilities obtaining rate increases to off-set expected higher field costs of natural gas.

The average rate of return (operating income as a percent of net plant) earned by natural gas utilities has stabilized over the past few years at approximately 6½%. A decline much below a 6½% rate of return would discourage the expansion necessary to meet the earnings potential to be derived from the addition of new residential, commercial and industrial customers.

Both electric and gas utilities expect to continue their construction programs to meet the anticipated growth of their respective industries. Electric utilities spent $3.8 billion for plant and equipment in 1957 and plan to spend about the same amount in 1959. Gas utility construction in 1959 should total $1.7 billion, as compared to $1.8 billion in 1958. To finance the proposed construction during 1959, electric utilities expect to offer in excess of $2.0 billion of new securities and gas utilities anticipate marketing about $1.2 billion new offerings.

One of the most serious problems facing the electric and gas utility industry is whether it will be able to finance successfully, as in the past, the expected construction programs over the coming years. Potential hazards in future utility financing as compared to other corporate financing include: (1) investor markets saturated with the more frequently offered utility securities, especially debt issues; (2) limitations as to flexibility of utility financing; (3) handicap of financing under regulated earnings in an inflationary inclined economy.

The projected future growth of the utility industry rivals almost any other industry. Any impediment to the progress of such a vital part of our private enterprise system should be of major concern to every segment of the nation.

CARL E. HANSON

President, Bishop National Bank of Hawaii

Business conditions for 1959 are promising. Most bankers agree that our economy will remain at its present level or possibly even pick up in tempo over 1958.

The continued growth of the nation's population, together with a general increase in the standard of living, indicate that there will be no lessening in the demand for consumer goods.

Carl E. Hanson

In the Hawaiian Islands we also expect continued growth both in population and in diversification of industry. In past years the chief sources of income have been the military, sugar and pineapple. If there are no strikes to affect the sugar and pineapple industries, the coming year should be improved over 1958.

The tourist business, which has been an important factor since World War II, should have a record year in 1959. Jet planes will begin regular runs this year and will carry more tourists to the Islands more quickly than ever before.

The construction business has been of great importance and should continue so through 1959. Investors from the mainland United States have shown interest in the Islands also as illustrated by the money invested and the new businesses started in the past few years.

With a continuation of investor confidence, Hawaii should experience a year of growth in 1959.

I. J. HARVEY, JR.

Chairman of the Board, The Flintkote Company

The year 1959 will be the forerunner of a decade of unprecedented prosperity for the American economy and particularly for the building materials industry.

We at Flintkote base our optimism on several factors. For one thing the great upsurge in new family formations in the early 60's seems certain to create a dynamic demand for new construction and will be a powerful factor in the consumer goods economy. The Flintkote Company has been planning for the "fabulous sixties" since early 1956. By embarking on a period of expansion and diversification at that time Flintkote is now in a position of being able to capture an ever increasing share of the American construction and home repair dollar.

In 1959 alone, a 13% increase in outlays for new dwelling unit construction is foreseen. The huge total of $52 billion is expected to be spent on new construction of all kinds in the coming year. This represents an increase of more than 3.5 billion from the total spent in 1958. Over 80% of this enormous amount will be spent on residential and highway construction. And more than one American economist has predicted a 40% increase in the domestic economy by 1970.

As we approach this key period of the 1960's, Flintkote will continue to look at new expansion and diversification possibilities in a never-ending effort to improve our position as a publicly-owned corporation, our products for the trade and the consumer, and our profit-margins for our stockholders.

W. H. HELMERICH

President White Eagle Oil Company

Forecasting business conditions used to mean principally the evaluation of economic factors. It is a sign of the times that a competent business forecast now must also equally evaluate political factors. This judgment applies particularly to the oil business these days.

W. H. Helmerich

Economic factors affecting the oil business in 1959 can be relatively easily assessed right now. With fairly little variation (i.e. a few percentage points) most current forecasts indicate that domestic demand for oil products will increase slightly in 1959. We also feel safe in expecting oil consumption abroad to increase, probably 1½ to 2 times as rapidly as within the U. S. The economic question concerning the supply of oil does not really have a short-term significance: ample supply is available for many years on a world-wide basis in the absence of selective political restraints. So the effects of political decisions are now of paramount importance to the oil business. In the international oil picture the coming year could be strongly affected by any change in the status of the cold war or by changes in the attitudes of oil producing countries towards foreign private capital's participation. In the U. S. political action (or the threat of it) by any of the three branches of the Federal Government has been tremendously influential (i.e. the Phillips Case, the Natural Gas Act and its veto, the voluntary-mandatory oil import program). To attempt to forecast within this political arena would be foolhardy. Suffice it to be said that it is our hope that the rate of growth of federal controls at home will slacken, and, in such an atmosphere, we expect 1959 to be an improved year domestically through higher drilling activity and higher domestic crude oil sales.

J. V. HERD

Chairman of the Board and President, American Fore Insurance Group

Inasmuch as expert economists do not quite agree as to what they believe lies ahead for the American economy generally for the year 1959, a lay oracle such as I should be forgiven for keeping all escape hatches in good working order when attempting to foretell what 1959 holds in store for the businesses of Property and Casualty insurances.

J. Victor Herd

If we knew approximately how money rates are going to act during 1959; to what extent foreign affairs and events are going to stimulate or modify government spending; how popular 1959 model automobiles are going to become; whether a high level of employment will be maintained by a genuine public demand for goods and services; and whether corporate earnings will justify current market quotations of equity shares, it would be somewhat simpler to foretell the year ahead. However, with none of these basic determining factors ascertainable at this time, it becomes necessary to take a guess in the dark, as it were.

Assuming no sudden loss of public confidence in the near-term recovery, and assuming a continuation of governmental spending, both defense and non-defense, it would appear that 1959 ought to produce better underwriting results for the Property and Casualty insurance companies than they experienced during 1957 or 1958.

Despite the punishment in market quotations taken during 1958 by bonds and preferreds, the rise in quota-

tions for equities during the year tended to obscure an unsatisfactory underwriting result. Unless and until Property and Casualty insurance companies are enabled to bring underwriting outgo below underwriting income, thus producing a reasonable profit from underwriting operations, their plight remains unhealthy, regardless of their investment and financial operations.

PETER vZ. HIRES

President, The Charles E. Hires Co.

Nineteen-fifty-nine looks very bright for our industry in general, and in particular the HIRES picture is most promising. Great strides have been made in the past few years to build and train a capable and hard hitting field organization. The impact of this training is now beginning to be felt and will continue in both the Fountain and Bottling Divisions. As the year progresses the application of this training will be intensified.

Peter vZ Hires

Our franchise bottler position is the strongest in the history of HIRES. The addition of several new aggessive bottlers in strategic markets during the past year has greatly strengthened our position and will bring increased sales and distribution of HIRES.

We will continue to develop new territories in the coming year, particuarly in the deep South, which represents a very large growth potential for HIRES. Our activity will not be confined to the continental limits of the United States, but will be carried outside as well, particularly in Canada where we now have 35 able and experienced bottlers, assisted by well trained HIRES Canadian personnel. These bottlers are very actively engaged in promoting and selling HIRES, and we have every reason to believe the results will be rewarding.

The Merchandising Program for 1959 is now completed and will be placed in the hands of the field organization shortly to be put into action. It is based on sound principles, further stressing the basic fundamentals so vital to the growth of this business.

The Advertising Program is proceeding along the lines as previously scheduled with the addition of a brand new national theme that will be more completely emphasized throughout the year. The phrase "Adventure in Refreshment" lends itself extremely well to the nature of our product, and is a perfect tie-in to aid our aim of identifying HIRES as the appropriate drink for all ages on all occasions for all times of the year.

HIRES marketing plans for 1959 call for realistic sales and profit increases, and management sees no reason why this goal should not be attained.

JEROLD C. HOFFBERGER

President, The National Brewing Company

There appears to be little question that business will continue at a high level during 1959. The recovery during 1958 and all present indicators point in this direction. However, it will be a year marked by difficulties, particularly in the consumer goods industry, in sustaining a satisfactory level of profits. Many well-run companies will face a critical problem in maintaining profitable operation. It is relatively easy to give merchandise away; but it has yet to be proved a good way to stay in business.

Jerold C. Hoffberger

The squeeze on profits will be felt even more acutely in consumer goods industries.

Management will face a sharp challenge. The American consumer has understandably reacted to rising costs in exactly the same way industrial leaders are reacting to them. The consumer will spend carefully and continue to shop for bargains. He will become increasingly selective. He will resist price increases. This in turn means further intensified competition for shares of the market. This should manifest itself in broader and more intensive advertising and promotional efforts, keener merchandising, and improved selling techniques.

Meanwhile no important industry will be spared during the coming year from rising costs both as to selling and production, as to materials and capital investment.

In response to this, it can therefore be expected that during the coming year, the emphasis will be upon finding ways and means of saving money through increased operating efficiencies. This is a necessary direction if a healthy level of business activity is to be sustained. It seems inevitable that efforts toward automation will be considerably stepped up. The results should mean increased sales in heavy industrial machinery and capital goods during the year.

If developments during 1959 move in the direction of increased automation, it will (1) lend depth and stimulation to business activities generally and (2) better enable business to cope with cost problems and assure a fair return for investors during 1959 and subsequent years.

With the growing emphasis upon operating efficiencies, 1959 should also see an increase in the pace of mergers as a means of effecting important savings and protecting market situations.

This trend has been going along at a substantial and increased pace since 1950 in the brewing industry; and more and more it appears that the industry itself will be characterized by selected strong key regional brewing companies and strong but few large national companies. There is no reason to believe that factors dictating this movement in the brewing industry are substantially different from those affecting other industres.

HARRY D. HIRSCH

President C. M. Hall Lamp Co.

The auto parts industry, which produces more parts per car than the auto manufacturers themselves, had a somewhat disappointing year in 1958 as sales of new cars dropped considerably. With new car production estimated at a rate of only 4.3 million final sales of the huge auto parts industry will be down.

Harry D. Hirsch

Compared to the auto parts gross of $2.7 billion in 1957, the indications are that final figures will justify my prediction that sales in 1958 will be no higher than about $2.2 billion.

For our company, however, we expect gross sales of about $10 million, one of the highest on record and larger than in 1957. Automated manufacturing techniques and concentration on the most profitable car parts, enabled the company to buck the auto recession last year.

For 1959, we envision a substantially higher new car market with auto parts makers joining in the increased production for a total of auto parts sales in 1959 of about $3.3 billion. The estimation by the Big Three that at least one million more cars will be sold in 1959 than this year should be borne out by the renewed confidence in the general economy.

The general public is hardly aware of the auto parts makers' importance to the car manufacturers. General Motors uses the least amount of independent suppliers, percentagewise, than any other auto company. Yet they still produce only 49% of each car they make. Ford's products are 59% made outside of Ford's plants; Chrysler cars are 65% produced by suppliers and the independents lean even more heavily on the smaller, specialized firms.

The auto parts makers employ some 400,000 workers in hundreds of plants in literally every state of the union. (With the possible exception of Alaska.) The automobile manufacturers and their suppliers are indivisible. 1959 should find them both out of a sick bed.

C. L. HOLBERT

President, H. K. Porter Company, Inc.

H. K. Porter Company is widely diversified, with an excess of 40 plants in 10 basic divisions of industry. The outlook as we see it of the overall Porter Company is for steadily increasing sales throughout 1959, and substantially improved profits as compared to the 1958 recession. We expect earnings to equal or exceed the 1956-1957 level. As our company to a great extent produces products used by other industries, we are to some extent dependent upon recovery in those areas.

C. L. Holbert

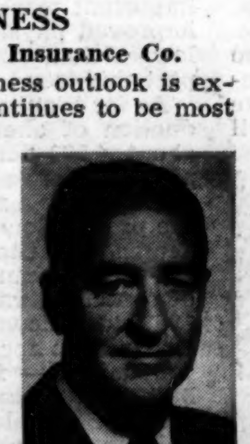
While predicting increased profits, we feel this will be accomplished only by increased productivity as there seems to be little chance of maintaining *status quo* on labor and material costs. Improvements in the area of increased productivity which have been accomplished during 1958 will contribute greatly to our increased profit goal. Essentially, by class of industry that makes up the Porter organization, we anticipate the outlook to be good in all areas, but not approaching bottom or inflationary proportions.

We anticipate problems in the areas of labor relations and price competition, with increasing demands on the part of our customers for improved quality and technology; therefore with ensuing demands on research and development programs.

HOWARD HOLDERNESS

President, Jefferson Standard Life Insurance Co.

As we enter 1959, the general business outlook is excellent. The sale of life insurance continues to be most competitive but prospects, in my opinion, are that we will have another record year in sales. With the firming of interest rates, the investment picture should be very favorable.



Howard Holderness

I feel not only for the insurance industry, but for the entire economy, that every effort should be made to prevent further inflation. This can be done most effectively through a balanced budget and by everyone cooperating, both in management and labor, to see increased productivity is obtained with any increase in salaries and wages. With such cooperation from both management and labor and taking into consideration our enormous natural resources and production capacities, I believe inflation can be stopped. It is very necessary that this be done to have a firm base for a continued sound and prosperous America.

FREDERICK W. HUBBELL

President, Equitable Life Insurance Company of Iowa

During the 1957-58 recessionary period the life insurance business fared very well. The results should be even better in 1959 now that the economy is in a recovery phase which promises to continue throughout the year. The downward adjustment of general business started in August 1957 and continued uninterruptedly until April 1958, when conditions quickly reversed and improvement carried forward at a rapid pace throughout the balance of the year. During the eight months period while the general economy was declining, sales of life insurance actually continued to increase, registering a 5.3% gain over the comparable eight months period of a year earlier. For the full year 1958, sales of life insurance were very close to the record levels of 1957, with higher sales of ordinary life insurance offsetting some decline in group sales.

F. W. Hubbell

The answer to the favorable performance of life insurance sales during the recessionary period lies partly in the remarkable stability shown by personal income. From the peak in August 1957 to the low in February 1958, personal income declined by only 1.6% and it then turned upward again. Increases in government payments and farm income helped to offset declines in labor income. Other contributing factors to the good showing of life insurance sales were new policy plans and merchandising developments which had been introduced, particularly the family protection plans which cover all members of a family in a single contract.

There are a number of forces which should assure the continuance during 1959 of the economic recovery, although some slackening in the rate of gain may take place. The economy will be stimulated by further increases in expenditures by Federal, state and local governments. Moreover, last year's liquidation of inventories by business has now ceased to be a drag on the economy and there may soon be a return to inventory rebuilding. Consumer buying which held up well during the recession should now show some increase. Most other important segments of the economy are expected to be either favorable or neutral.

Personal savings started to increase again during the second quarter of 1958 and should stay large in 1959, buoyed by further gains in personal income. The life insurance companies, with their continuing efforts to tailor their products to the buyers needs and their aggressive merchandising should be successful again this year in securing their fair share of the savings dollar.

The outlook is also favorable for insurance companies in the investment of their premium dollars. Interest rates in 1958 were at advantageous levels, and with the economy now in an expanding phase, there should be ample opportunities this year for investing funds at favorable rates.

The life insurance business, however, is not completely without troublesome problems. One is the imminent prospect of higher taxes. There is presently under consideration legislation designed to increase substantially the income taxes levied on life insurance companies. With the ever increasing trend towards more government spending, taxes for everyone will have to remain high. The prospect of further deficit spending serves as a continuing threat to the stability of the dollar. Another powerful inflationary force is the repeated increases in wages and salaries year after year. Unless these are matched by gains in productivity prices must continue to advance. Higher wages in the manufacturing industries tend to carry over into the service industries where gains in productivity are much more difficult to attain.

Aside from these problems of higher taxes and continuing inflationary threats, the outlook for the life insurance business appears to be very encouraging. With a growing population and with an upward trend in the standard of living people require and are able to buy more insurance protection.

J. ROSS HUMPHREYS

President Central National Bank in Chicago, Ill.

Once again, in 1958, the American economy has turned in a noteworthy performance. The test of cushioning the recession and then moving up in recovery was met with amazing success. Gross national product, the dollar value of total output of goods and services produced, declined from a seasonally adjusted annual rate of $446 billion in the third quarter of 1957 to a low of about $426 billion in the first quarter of 1958. The industrial production index declined from highs of 146 in December, 1956 and 145 in August, 1957 to a low of 126 in April, 1958. The recession was thus somewhat sharper and more severe than the two recessions previously experienced during the postwar period, in 1949 and 1954.

J. Ross Humphreys

As we go into 1959, the substantial amount of recovery which has already taken place will be augmented by a further rise in levels of business activity. The year 1959 will see the attainment of new record highs in most aggregate measures of the economy. We have already

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seen the upward thrust to production resulting from the ending of the record rate of inventory liquidation which was underway earlier this year. Particularly important in future recovery will be a abroadening upward move in consumer spending. Government spending, both Federal and local, can be expected to go up some more. There will be a substantial rise in corporate profits generally in 1959 as compared with 1958.

The outlook for further significant recovery ahead will by no means solve some problems which will go on into next year from the present one. Unemployment will likely turn out to be a rather persistent problem. Business expenditures on plant and equipment have bottomed out but will rise quite slowly in the year ahead. New housing is running into financial difficulties. The United States Treasury will face tremendous problems in financing the deficit and especially in refunding Federal debt maturities. The Federal budget remains a source of difficulty in many respects, as does the continuing pressure upward on wage rates in excess of gains of productivity. We must continue to guard against over confidence and speculative excess. Nevertheless, and as always, very important, we continue to stress as we have before, that over the years tremendous opportunities lie before the American economy.

CHARLES L. HUSTON, JR.

President, Lukens Steel Company

For our company and for steel plate producers generally, the fourth quarter of 1958 has not lived up to expectations.

Reflecting our historical pattern as suppliers of the capital goods industries, Lukens continued successfully to resist the general fall-off in steel demand during its first two quarters. Since then the consumer goods markets have strengthened but capital goods markets have continued depressed so that the company has not enjoyed the same pick-up as the rest of the industry. Within selected plate markets, however, Lukens did progressively achieve its goal of increasing its relative share of the available business.

Chas. L. Huston, Jr.

In 1959, Lukens expects over-all steel plate demand to lag behind other products of the industry in the first quarter, expects a pick-up in the second, perhaps some easing in the third, and then expects the fourth quarter to show marked improvement to make it the strongest quarter of the year. During the coming year Lukens counts upon increasing its participation in the various missiles and rockets programs.

In anticipation of this rising trend and of the long-term growing needs for steel plate, Lukens will have completed its current $33 million expansion program by next spring. By that time, major customers will have loaned to the company a total of $20½ million, to be repaid in 20 years, and Lukens itself will have furnished a total of $12½ million out of retained earnings to pay for the new facilities. A recent check with our major customers reaffirms the soundness of the decision to expand facilities.

During 1958 Lukens retired all present long-term indebtedness, other than the customer loans for the expansion program, by a final payment of $2,800,000 to the Penn Mutual Life Insurance Co.

As a result of the expansion, Lukens in 1959 will become the third largest producer of sheared mill steel plate in the country.

The steel industry in general should perform in 1959 at higher operating rates than those for 1958. Market projections indicate that steel consumers are expected to rebuild inventories that were sharply depleted in 1958. Also expected are improved auto sales, increased production of consumers durable goods, continuing strong demand from the construction industry, and, later in the year, increased demand from the capital goods industries. Production for the industry as a whole in 1959 probably will approach 110 million ingot tons, compared with an estimated 86 million in 1958.

CHARLES W. IRELAND

President, Vulcan Materials Company

In 1959 we look for the Federal highway program to come into full swing. This will give impetus to aggregate production and related products such as concrete used in bridges, culverts and drainage systems, as well as surfacing materials. Construction of new homes should increase in 1959. This, too, will stimulate the production of concrete, concrete blocks and other related products. The same is true for new plans and public buildings. It is my feeling that 1959 will see a substantial increase in the construction of new schools.

Charles W. Ireland

Chemicals accounted for about 13% of Vulcan's total sales volume in 1958, and metallic products accounted for nearly 18%. Although I expect only moderate increases in the production of metallics, I look for chemical production to increase greatly. Here at Vulcan Materials Company, we are looking for 1959 to bring a national sales volume substantially over 1958's $100 million. We anticipate a proportionate increase in profits for 1959 to top 1958's $7 million.

Vulcan Materials Company plans to invest about $10 million for new plants and equipment in 1959.

The recession experienced in 1958 is over. The outlook for business as a whole is very bright. We feel that the building and construction industry will be one of the major factors in making 1959 a good year for the American economy.

H. K. INTEMANN

President, Union Carbide Metals Company

Ferroalloy sales in 1959 may top 1958 figures by 25%. Sales in 1958 were about 75% of 1957 total. The reason behind the latter figure is the sharp decline in steel production which began in the last quarter of 1957. The decline continued into the first half of 1958. With the resurgence of the steel industry in the last half of 1958, a rise in sales occurred in the ferroalloy industry. However, this rise in ferroalloy sales during the latter half of 1958 could not lift the entire year up to the 1957 level.

H. K. Intemann

Stainless steel production has fluctuated more violently and rapidly than steel production as a whole. Stainless steel production now has recovered from the lows of 1957 and early 1958, although the figures for November and December show some falling off from a high point reached in October. Indications now are that 1959 will be a million ingot ton year for stainless steel, surpassing 1958 production by about 200,000 tons.

This is especially encouraging in view of the military cutbacks which have reduced some traditional stainless steel markets; it is obvious that the stainless steel market is evolving on a broader industrial and commercial base.

The stainless steel production picture includes some very interesting figures on a fast-growing sector of the stainless steel market. These concern the group of high-manganese stainless steels which are generally called the 200-series steels. Almost 30,000 tons of these steels were produced in 1958 compared with 25,330 tons in 1957. I predict that 1958's record production of this group of steels would be beaten in 1959.

Research and development of ferroalloys for more economical steelmaking progressed during 1958 and would continue to progress during 1959. In 1958 two new ferroalloys — ferromanganese-silicon and refined charge chrome—were introduced to provide low cost sources of manganese and chromium for many types of stainless and other special steels. 1959 will undoubtedly see many special alloy compositions introduced to metal producers, including a new vacuum-processed low-carbon ferrochrome and special ferroalloy compositions for the growing vacuum-melting industry.

Another trend in the ferroalloy industry is in providing for greater customer convenience by standardization of alloy forms and better packaging of most types of alloys. Also, more exact and demanding steel industry practices have resulted in a trend toward closer control of ferroalloy characteristics.

An element of unknown quantity in influencing both price stability and productivity of the industry in the year ahead is imported alloys. This is true for both the domestic ferroalloy producer and the domestic steel producer—a flood of low-priced imports could impair the health of both industries.

While for the past three years the ferroalloy industry has supplied substantial quantities of its products to the government's stockpile of strategic materials, during 1959 the industry will find it almost impossible to participate. However, because of the present regulations, only foreign producers will be able to participate. This anomalous situation may well be reflected in the future health and economics of the domestic industry.

The stable price structure of 1958 (during which price increases were held down to an average rise of about 1% despite increased costs of labor and most raw materials) could be upset rather quickly if the industry's labor costs rise any further. Such a situation would necessarily have to be reflected in a rise in price to assure a viable industry.

"The aluminum industry is becoming an increasingly important market for additives. Aluminum alloys with improved physical characteristics have been made with low-calcium silicon metal, he added, and we may expect this trend to continue to develop.

As for titanium, the present annual rate of sponge production of about 4,000 tons will probably increase to about 4,500 tons in 1959. The lower-than-anticipated price of sponge which prevailed toward the end of 1958, will provide a market test in 1959 to see whether or not the present low prices for sponge and billet can increase demand for titanium mill products.

Based on Bureau of Mines reports, the 3.6-million lb. of contained vanadium in all forms which were sold in 1957 were down to an estimated 2.5-million lb. in 1958. One reason for this was the steep decline in tool steel production — ferrovanadium's chief market. However, high-purity (ductile) vanadium showed truly spectacular increases in sales during this same period, although total volume is small.

The year 1959 should see a rise which continues the rebound which began for vanadium in late 1958. During the year, perhaps 3.4-million lb. of contained vanadium will be consumed.

Production of the metals columbium and tantalum are at present more than in balance with demand. Columbium and tantalum in the form of pure metals are finding their niche in many industries, although they are still used mainly as structural materials in the nuclear field. Ferrocolumbium and ferrotantalum-columbium are also getting increased attention as stabilizers for stainless steels used in high-temperature, high-corrosion environments. Tantalum, now a standard in the electronic industry as a component of miniaturized capacitors, was successfully demonstrated during 1958 as a corrosion-resistant lining for large-sized chemical reactor vessels.

A summary of the new developments in ferroalloys and metals which may be forthcoming in the year ahead includes the following:

New, high-temperature alloys and alloy steels for missiles, supersonic aircraft and nuclear reactors;

Larger market for heat-resistant stainless steels;

More titanium applications in the process industries which require corrosion resistance;

Increasing use of titanium for structural and dynamic applications in the aircraft industry;

New high-strength vanadium alloys for high-temperature applications;

Availability of larger sheets of thinner, purer tantalum; and

Growing use of columbium additions to carbon and possibly low-alloy steels for grain improvement and increased strength and toughness.

HARRY A. JACKSON

President, American Petrofina, Incorporated

It has been almost two years since the petroleum industry experienced the beginning of its most serious recession of the postwar period. Excessive new supply of oils aggravated by a deceleration in the growth of demand occasioned a decline in refined products prices of 15% over the period. Since the low point in May 1958, prices have had a partial recovery, but regional supply imbalances have, until recently, retarded the correction. However, a basic strengthening in petroleum demand, the impetus of cold weather and the restraint of lower crude runs are shaping inventories into a satisfactory relationship with requirements.

Harry A. Jackson

At the beginning of 1959 stocks of all oils will approximate 780 million barrels, 60 million barrels lower than on Jan. 1, 1958. Inventories are as low now as they were at the end of 1956. Total demand is almost at the same level even though over 600 MBD's have disappeared from the export market since the settlement of the Suez crisis.

On the other hand, products prices are now 5% lower than they were two years ago, notwithstanding the fact that crude oil prices are 10% higher, in effect a 15% decline in real terms. On balance, products prices could justifiably continue to increase during the next several weeks, until at least an equilibrium is restored between supply, demand and price.

The outlook for petroleum demand in 1959 is favorable. If industrial production averages 10% higher than in 1958, as predicted by most economists, domestic demand for oils should increase some 6%. The relative magnitude of increase depends in part upon the total demand for 1958, which should exceed original expectations as a consequence of colder than normal weather. The increased energy needs of industry, a greater number of motor vehicles in use, lower unemployment, higher income, and new home construction should contribute to a sizable increase in demand for 1959.

A forecast of new supply of oils and crude runs inevitably depends upon the outlook for oil imports, which at this time is subject to conjecture. For lack of more precise indications, we may assume that imports of crude and products in 1959 will equal those in 1958. This automatically allows for a continuation of the current high import rate for the next 60 days with a possible cutback when the new program is finalized. Under these circumstances and if the refining industry reacts as it has in the past, runs to stills can be expected to average at least 8,300 MB/D throughout 1959, or approximately 8% over 1958. Even so, little more than 85% of capacity will be utilized. To satisfy the refiner's needs, crude production would have to average about 7,400 MB/D—the remaining requirements being met out of imports. The higher domestic crude production would be reflected in higher allowables in Texas, with an average monthly rate of 12 producing days, compared with 10 in 1958. On balance, stocks of all oils should increase modestly in the course of the year.

The year 1959 should be favorable for the petroleum industry. Supply, demand and prices should be in relatively close balance for most of the year, however, the danger and effects of overproduction at refineries toward the end of the year should be recognized.

During the first half of 1959 oil demand should increase very substantially over the corresponding period of 1958. However, the rate of increase can be expected to slow down toward the end of the year, as the economy recovers from the recession. If the refining industry does not promptly adjust its operations to compensate for this decline in the rate of growth, another supply/demand imbalance could quickly develop and again create costly price declines.

The findings of the Special Committee to Investigate Oil Imports will play a pivotal role in the economics of the petroleum industry. The outlook for both the producing and refining segments will depend, in large measure, upon their recommendations.

CHARLES C. JARCHOW

President, American Steel Foundries

The earnings of American Steel Foundries during the past year demonstrated the soundness of the diversification policy under which we have expanded our activities outside the railway equipment field. In the early postwar period only 10% of our sales were for other than railway equipment. This increased to 41% in the fiscal year ended September 30, 1958. This increase was the result of the policy of expansion into other fields rather than a de-emphasis of railway products.


Charles C. Jarchow

A breakdown of sales for fiscal 1958 and fiscal 1957 is shown in the accompanying summary. As will be be seen, the largest decrease was in sales of component parts for new freight cars and locomotives of $19.1 million or 39%. This resulted from the severely reduced purchases of new equipment. While sales for repair or replacement parts to railroads were also lower, the decrease amounted to only $1.2 million or 4%. The reduction in sales of railway products would have been larger had it not been for the new Griffin Wheel Company plant at Colton, Calif., which began operating in the last half of the 1957 fiscal year.

	Millions 1958	1957
Products sold for railway equipment:		
For use on new cars and locomotives	$29.4	$ 48.5
For use as replacement or repair	26.8	28.0
Total for the railway industry	56.2	76.5
Machine tools, hydraulic machinery, roller chains, and coating and wrapping pipe	30.4	33.5
Steel castings, forgings, etc., for industrial and other uses	7.2	11.7
Total regular products	93.8	121.7
War materiel	.7	.9
Total	$94.5	$122.6

Plant additions of $11,325,000 in 1958 were the highest in the company's history. The major expenditures were for two new steel wheel plants and facilities for the production of precision roller chains and sprockets. The new steel wheel plant at Muncie, Kansas, began operating late in the 1958 fiscal year. The other plant, at Transcona, Canada (in the Winnipeg area), will begin operating in the second quarter of the 1959 fiscal year.

On the basis of present plans plant additions in 1959 will amount to about $7,000,000. About 10% of these expenditures in 1959 will be for additional research and development facilities. No major items were deferred because of the general business decline. Our plant expenditure program is a coordinated long-range continuing program.

Our total backlog of unfilled orders on October 1, 1958, the beginning of our current fiscal year, amounted to $21,000,000. There are strong indications that the rate of incoming orders will increase in the first half of our 1959 fiscal year. We expect that the volume of our shipments and earnings will improve from quarter to quarter in 1959 in contrast to the declines of 1958.

The bottom of the recession is behind us and general business conditions have improved. Railway freight car loadings and earnings are better and this should result in increased orders for component parts for freight cars. The railroads need further relief from the obsolete regulatory control on rate making and other restrictions imposed by Federal and state regulatory bodies. They have started purchasing equipment in recent weeks and this should continue at a greater rate during the year.

We believe that 1959 will be a year of substantial economic growth and development; and as a result, business generally will be good. Non-railway segments of our business should have increased sales with the general improvement in economic conditions. We believe our company will have a good year in 1959.

GEORGE C. JOHNSON

Chairman of the Board,
The Dime Savings Bank of Brooklyn

So far as The Dime Savings Bank of Brooklyn is concerned, there will be no lack of money for the financing of homes during the first half of 1959, and an ample supply of mortgage money to support a high volume of home building in this area should be available throughout the year with no appreciable change in interest rates.


George C. Johnson

Advance commitments already made by The Dime Savings Bank of Brooklyn total over $160,000,000 for more than 10,000 dwelling units in the five New York City boroughs and Nassau, Suffolk, Westchester and Rockland Counties.

This is a greater amount of money and represents the potential construction of more housing than ever committed at one time in the 100-year history of this bank.

The market for new and used homes should continue strong throughout 1959, provided there is no serious disruption of the economy, and builders continue to produce the kind of homes that people want at prices they can afford to pay.

During the year of 1958, The Dime of Brooklyn closed mortgage loans totalling $105,926,000 and showed a net increase in its mortgage portfolio of $53,856,000. The $52 million difference represents satisfactions of existing mortgages during the year and payments on principal of loans still on the books.

At the beginning of 1959, the bank had $736,571,000 invested in 73,639 mortgages, virtually all of them in our nine-county lending area. Nearly 50,000 of these loans, aggregating almost $500,000,000, were on homes in Nassau and Suffolk Counties.

A marked increase in conventional mortgage lending has taken place in recent months, and undoubtedly will accelerate during the year ahead. This is because the Legislature liberalized the New York State Banking Law last April to permit savings banks and state-chartered savings and loan associations to make 30-year, 90% mortgages without government backing.

Nearly 800 mortgages of this type, totaling approximately $14,000,000, have been made by The Dime of Brooklyn since the law became effective last April 23. These now constitute about 2% of our total mortgage portfolio.

Permission to make loans with larger ratios-to-value without the expense, delays and involved processing which accompany VA or FHA mortgage applications has materially assisted home builders and home buyers. It is hoped the Legislature will broaden the scope of this permission still further during the present session.

O. M. JORGENSON

Chairman of the Board,
Security Trust & Savings Bank, Billings, Mont.

All reports appear to be unanimous: 1959 will be a good year for business but with this qualification—no boom! We are told by some economists that the recession began in August, 1957, and ended in April, 1958. Perhaps when there is so much optimism, a little caution should be exercised. 1958 can hardly be dubbed a year of recession what with the rapid recovery which has taken place. It has been an interesting year with the amazing performance of the stock market; continued high prices; gross national product climb; the Federal Reserve's early return to a tighter money policy; and the weakness in the bond market.


O. M. Jorgenson

There is much to be said favoring the optimistic outlook for 1959. Government expenditures already high in 1958 is expected to reach $80 billion. More than five million passenger automobiles will be manufactured. More than a million homes will be built. The round of wage increases granted in 1958 add to purchasing power. Farm income, although dipping a little, will still remain high. Gross national product will exceed $450 billion. The stock market has been saying everything looks favorable for 1959. The cold war still continues and on a number of occasions during the year we have been treated to a bad case of jitters. So our armament program progresses with great strides in the development of missiles.

In the Midland Empire of Montana, with Billings as the hub, we are dependent upon livestock and farming. Agriculture plays a big part in our economy. High prices for livestock prevailed during 1958. Bumper crops were prevalent. The Great Western Sugar Company in Billings is again milling more than a million 100-pound bags of sugar. Our winter to date has been favorable. Crop prospects for 1959 are dependent on moisture conditions next spring and summer, and to date is not unfavorable.

The oil industry contributes much to our economy. The three modern refineries in our area are operating at near capacity. Probably the same amount of money will be spent for exploration and drilling as in 1958. It is expected the domestic demand will show some increase in 1959. Daily oil production in Montana is about 80,000 barrels.

We look for a good tourist business in 1959. With two fine national parks — Yellowstone and Glacier — and many fine dude ranches, Montana is a fine vacation land. Excellent highways makes Montana and its vacation spots easily accessible.

Construction will show some increase during 1959, although considerably off from the 1955-1956 levels, yet not to be scoffed at.

So for the last year of the fabulous 'Fifties a year of substantial business and better than 1958. Unemployment will continue at about the present level. The farm problem is still looking for a solution. Inflation is still a threat. The tendency is to spend faster than we can make it. Ample credit will be available except possibly mortgage money. Our economy will be in high gear again and we ask ourselves how high is up. We can't help keeping our fingers crossed, yet, in the words of the circus barker, perhaps we haven't seen anything yet.

The spacious 'Sixties may make the fabulous 'Fifties look small by comparison. Anyway, ahead of us is a year of high prices, high wages, cold war worries and high taxes.

EDWARD J. JORDAN

President, Beech-Nut Life Savers

With industry sales at a record level of more than $300 million in 1958, baby food manufacturers can look forward to a continually expanding market and an eventual $500 million a year volume in sales.


Edward J. Jordan

The increasing number of new products being offered, the high birth rate, and the rise in consumer income over the years has led more parents to buy commercially prepared products and to buy them over a longer period of time.

As a case in point, sales of Beech-Nut pre-cooked baby cereals in 1958 were more than 100% ahead of the previous year.

Of special significance, too, is the growing importance of the geriatric market and the increasing number of older people who are using baby foods because of its refined texture and nutritional advantages.

Looking ahead, the big jump in sales will get under way in the 1960's when the birth rate is expected to climb sharply. The increase in the baby crop will come from the expanding number of women 18 to 34 years old—a group which accounts for nearly 85% of all births in this country. Right now, there are nearly 20 million females in this age group—by 1968, they will number more than 23 million, and by 1978, will reach close to 32 million, an increase of 63% since 1958.

As a result, the big boom in infants will take place in the period 1966-78, when it is estimated that 75.4 million babies will be born—a hefty increase over the 1946-58 period which will record a total of 50.8 million births, including the 4.3 million babies born in 1958. In the interim period, 1959 to 1965, the forecast is for approximately 30 million births.

Also by the mid-1960's, the vast number of girls born in 1946 after World War II, will be part of the significant 18-34 year-old child-bearing group. In the years following the mid-1960's, more and more girls from the big baby crops of the latter 1940's and 1950's will be entering this group.

A lusty infant as far back as 1947 when sales totalled nearly $190 million, the baby food industry saw its greatest upsurge in the last decade or so—a period in which sales outstripped the national birth rate by more than four-to-one. During these 10 years, baby food sales rose nearly 45% while the birth rate went up about 10%.

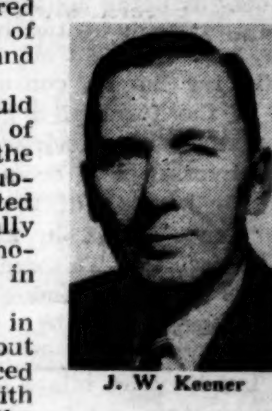
Broadening of the product line, and mass marketing techniques have likewise had a stimulating effect on the business. In the early days, the first baby food inventory numbered but about six or eight varieties—today, the average food store handles from 50 to 200 different items. These include a number of "junior" types developed by manufacturers for growing children and coarser in texture than "strained" infant foods. Such products include meats, vegetables, soups, fruits, desserts, and various combination foods, as vegetables and beef, vegetables and liver, and bacon and eggs.

J. W. KEENER

President, The B. F. Goodrich Company

The American rubber industry will bounce out of its 1958 dip and resume its long-term growth pattern through 1959.

The United States will consume about 1,500,000 long tons of new rubber in 1959, compared with the estimated consumption of 1,350,000 long tons in 1958 and 1,465,000 long tons in 1957.


J. W. Keener

I believe the rubber industry could well run a little ahead of the rest of the nation's economy in 1959 on the basis of an upturn in industrial rubber, the rebuilding of still depleted customer inventories, substantially greater production of new automobiles, and continuing strength in replacement tire sales.

Of the new rubber consumed in the United States in 1958, about 64.2% was domestically produced man-made rubber, compared with 63.2% in 1957. This marked the fourth successive year in which the ratio of use of synthetic rubber has increased.

Total tire shipments in 1959 are expected to be about 10% above last year. This will mean sales of about 113 million tires of all types. More than one-half of these will be tubeless tires, a B. F. Goodrich innovation of 10 years ago.

Passenger car replacement tire sales in 1958 exceeded 60 million units, about 6½% more than 1957, and truck replacement tire sales totaled 8.8 million, about 3.3% more than 1957. Farm tire shipments were up 13% over 1957, he said.

World consumption of rubber in 1959 may set a new record of about 3,300,000 long tons, excluding synthetic

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rubber consumed behind the iron curtain against comparable estimated consumption of 3,130,000 long tons in 1958. Rising consumption in the free world outside the United States and a sharp increase in natural rubber imports by the Soviet bloc countries largely offset the decline in U.S.A. new rubber requirements in 1958. Soviet bloc imports of natural rubber are estimated at 350,000 long tons in 1958, about 20% more than the 1957 total.

World production of natural rubber is expected to reach 1,885,000 long tons in 1958, in line with the amount of natural rubber that will be consumed this year. Meanwhile, United States capacity for production of man-made rubber will increase to nearly 1,700,000 long tons by the end of 1959. This compares with 1,372,000 long tons of capacity at the end of 1957, the expansion in two years exceeding 22%.

New general purpose man-made rubber plants in England, West Germany, France and Italy are expected to go into full production during 1959, adding further capacity to meet the world's increasing rubber needs.

B. F. Goodrich, announced in 1958 organization of new companies for producing tires, tubes, plastics and industrial rubber products in Brazil, Australia, and Iran. These plants will go into production in late 1959 or early 1960. A plant to produce special purpose man-made rubber and latices is under construction in Holland.

HOWARD KELLOGG, JR.

President, Spencer Kellogg and Sons, Inc.

Nature was never more kind than in the harvest season of last fall when record hay and grain crops were gathered in. Despite reduced acreage brought about by government edict, a new high was set in production of grains on which the American public is so dependent.

H. Kellogg, Jr.

Russia in its five-year programs has made great strides in industrial production, but of its farm program little has been heard because of its failure to live up to expectations. By contrast, our market baskets are overflowing, due to the ingenuity of our farmers and the many agricultural groups which are continually bringing forth new ideas and plans to improve our total output. Hybrid seed, crop rotation, use of fertilizers, mechanical equipment — all contribute their part to make us a nation blessed as no other nation has ever been.

The processor of vegetable oil-bearing seeds and manufacturer of rations for feeding livestock—of which our company is a part—has benefited by the increase in our crops. Soybeans, as an example, the crushing of which is one of our major activities, are produced in almost double the volume they were a short five years ago. The crop of 269 million in 1953 grew to 341, 374, 449, 484, and 574 million bushels in the successive years 1954 through 1958. The soybean processor as a result has been able to grind out new records each year and to maintain his plant at capacity operation even though expansion of facilities has been going on steadily.

One of the greatest phenomena of all this has been the fact that there has been a market for the products resulting from the ever increasing crush. Soybean oil meal, which today is the more significant of the end products, is being consumed by our animal and poultry population in quantities hardly thought possible several years ago. Soybean oil, the other end product, is used mainly for human consumption, and were it not for help in the form of a government export program, a major stumbling block would now be facing us.

The overall farm economy was at a very high level last year because of the abundance of crops and top prices for much of the animal population such as hogs and beef cattle. This meant the farmer had money to feed his livestock, and the feed manufacturer in turn recorded peak sales.

There are some gray clouds overshadowing the picture, but they are minor by comparison. As an example, curtailment of cotton acreage by the government has restricted the cottonseed crusher. Use of substitutes has hurt the producer of linseed oil. Extension of excessive credit in the broiler (chicken) industry has produced headaches for the raiser and the feed manufacturer. Government crop support programs have placed a floor on the processor's raw materials without giving him any protection in end-product prices. But the industry has faced similar situations and is not dismayed by the problems now confronting it.

Through management efforts and the work of its research departments, the processor of vegetable oil-bearing seeds and the feed manufacturer will make further strides in meeting the ever-increasing demands of America.

ARTHUR S. KLEEMAN

President, Arthur S. Kleeman & Company, Ltd

The understanding of the average American businessman, as to what constitutes sound world commerce, has improved substantially in the past decade. Ten years ago, asked if he favored further development of "international trade," he would probably have said, "I certainly do; what can we **sell** and where can we **sell** it?"

Arthur S. Kleeman

Today the importance of **buying** abroad for the purpose of broadening markets for American goods, is generally accepted; large companies and small traders have come to realize that not only is multilateral trade essential, but that it is also a vital method of maintaining the peace of the world. In 1949, in this same distinguished journal, I made the statement that "Nobody shoots his customers," by which I undertook to develop the thesis that the best way to answer bullying nations and prevent their fighting, was through purchasing their goods. Today the whole commercial world recognizes the importance of buying abroad as well as selling, first because there is no more certain means to avoid war, and second, because only thus can we supply dollars to those countries which so urgently need our goods.

Furthermore, customers are the most considerately treated group in all the world; customers are habitually coddled; people with something to sell take to their bosoms those who are prospective buyers of their wares. Traveling salesmen take buyers to dinner; retailers offer chairs and free ice water to those mere "lookers" who come into their stores. Whenever a foreign customer for American goods visits the United States, he is plied with wine and song—yet the best entertainment we can offer him is to buy something from his country in return for the business he does with us.

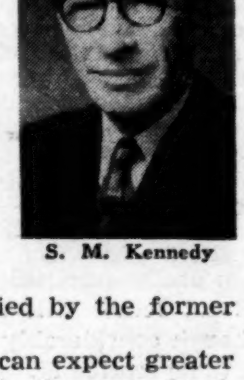
There is no American activity upon which mistaken thinking was directed to a greater degree than had been visited upon the business of "importing." It was victimized by ignorance, trampled by stupidity, and sprayed with prejudice. By misguided millions imports were regarded primarily as intrusions upon our own production, and "straw men" were set up to stop off the entry of imports which could well provide the wherewithal for an evenly spread prosperity throughout the world, our own country included. Many of our tariff walls were nothing more than mental hazards erected by uninformed citizens whose lack of heart had ruled their heads. In their zeal to occupy the manger undisturbed, they had forgotten completely that international trade meant "give and take," with the "take" operating simultaneously with the "give."

Now I am glad to report that American businessmen seem to have come to a proper realization. Far from limiting their imports only to those products which otherwise can not be secured, they are actually scouring the markets of other countries, to bring into our own the offerings of many parts of the world. The prejudice against importing has been dissipated by the more intelligent thinking, broader knowledge, and higher degree of world consciousness of those who are responsible for the economic growth of our country.

S. M. KENNEDY

President, Consolidated Foods Corporation

Generally speaking, the major fires of the recession have been extinguished. All that remains are a few minor conflagrations still affecting various industries. Under these conditions it appears that 1959 will be a period of rebuilding and strengthening our national economic structure in preparation for the booming 60's which lie ahead. In short, 1959 should prove a favorable year for our national economy, with progress accruing at a steady, moderate pace, and varying in intensity from industry to industry.



S. M. Kennedy

If the foregoing forecast proves correct, it is safe to assume that the food industry will continue to forge ahead during the new year. Substantiating the case for increased sales are such factors as our expanding population and family formation, a predicted rise in disposable personal income, and ample food supplies to meet the requirements implied by the former conditions.

Within the food industry itself, we can expect greater sales in several important categories in the year ahead. For example, it is increasingly evident that both convenience and gourmet foods have captivated the public's fancy and taste. At present, there is every reason to believe that this popularity will become more firmly entrenched during 1959, with sales rising to new highs on these profitable products.

Non-foods will also receive more emphasis in the year ahead since they provide store operators with higher dollar volume and net profit. However, there seems to be a growing awareness that these products offer no magic panacea for profit problems. Retailers are becoming alert to the fact that this merchandise must be carefully selected with an eye to rapid turnover if maximum sales are to be realized.

Current indications are that 1959 will see a further mushrooming of the bantam market movement. Given the right location and management, these compact, streamlined stores can prove profitable operations, since they appear to fill a gap in established channels of distribution. It will be interesting to see if these small stores have any effect on manufacturers' plans for new products and packaging.

From an operational standpoint, the new year will find the food industry intensifying its efforts to obtain increased profit margins. Part of this program will consist of striving for additional volume. Another segment will encompass further improvements in operational procedures, with cost control programs playing an important role in procuring the desired goals.

In addition to the foregoing, the food field will make greater use of marketing information and statistics during the new year. Taken as a whole, the industry is increasingly aware of the value of sound marketing programs based on facts and scientific procedures. Through such programs, organizations are able to channel their efforts toward obtaining established objectives, thereby eliminating costly inefficiencies otherwise incurred.

To sum up, current available information indicates that 1959 will be a good year for the national economy in general and for the food industry in particular. In the latter, competition will be at its usual keen pace, but shouldn't present any insurmountable problems which progressive companies can't solve through the intelligent planning of their business activities.

FRANK F. KOLBE

President, National Coal Association, Washington, D. C.

The famous old Mayflower Hotel in Washington is about to get a new neighbor. Construction will begin next month on the office building that will serve as headquarters for the National Coal Association.

Frank F. Kolbe

The decision to invest in a new building in a period of general business decline reflects an attitude based upon sound economic analyses that foresee a sharp resurgence of coal in the coming years. An increase of at least 10% over the 400-million-ton output in 1958 is predicted for the current year. There is a variety of opinions among fuel experts regarding subsequent production levels, but all agree that the curve will continue upward far into the future.

The coal industry itself is overlooking no opportunity to increase its market potential. Its investment in new machines and mining methods has brought an output per-man day of at least four times greater than that of any other country in the world. Multimillion dollar preparation plants clean and size the product to meet the precise specifications of every customer. Combustion engineers are available through the Bituminous Coal Institute, an affiliate of the National Coal Association, to work with plant architects and engineers in providing maximum fuel efficiency.

The electric utility industry, which became the No. 1 coal customer in 1952, will use progressively larger quantities in succeeding years. Although the home market for coal has decreased substantially, the advent of electric heating and air conditioning is indirectly recapturing this outlet for the coal industry.

As population increases and standards of living move upward, more steel will be required. Since approximately one ton of coal is required in the manufacture of every ton of steel, coal is expected to experience proportionate gains in this area and in other manufacturing and processing industries. Aluminum, once bound to hydroelectric power, has already begun its move into the rich coal fields where electricity for reduction may be obtained at minimum expense. Cement, another important coal consumer, will also increase its order in the years ahead, particularly as the vast highway program is expanded. While overseas shipments of coal have been subject to wide fluctuations since the end of World War II, a leveling off only slightly below the present heavy overseas movement is expected. Railroads, once coal's best customers, now consume only a very small percentage of total output.

While the coal industry strives to raise its economic stature by its own bootstraps, it looks to Washington for the Federal policy adjustments necessary to eliminate or reduce inequities in the competitive fuels market. It expects Congress and/or the Executive Department to put a lid on the residual oil imports that are crowding domestic fuels out of East Coast utility and industrial plants in defiance of a Cabinet Committee recommendation. The dumping of natural gas under industrial boilers, at whatever price is necessary to undersell coal in the non-heating season, is another practice that both coal executives and conservationists conscious of the sparsity of gas reserves are hoping will be prohibited.

With almost a trillion tons—enough to last for hundreds of years—available in this country, coal looms ever more important to America's defense structure and economic well-being.

F. O. KOONTZ

President, Quaker State Oil Refining Corporation

Nineteen hundred and fifty-nine marks the 100th anniversary of the Drake Oil Well and the founding of the Petroleum Industry in Pennsylvania. The Quaker State Oil Refining Corporation is looking forward to this centennial year with a feeling of "cautious optimism." This term is used because we believe that, although there are many reasons for being optimistic, we must be alert and cautious in view of numerous uncertain factors which may have an adverse effect on the Oil Industry and the general economy.

F. O. Koontz

Perhaps the greatest reason for optimism is the steady growth of our population and the need for goods and services required by a dynamic people. Personal income in the United States is now running at the rate of $377½ billion annually, or 2% higher than a year ago. And consumer debt is nearly $1 billion less than a year ago. Thus the consumer is in a good position to buy what he wants and needs. The recent Christmas season indicates the average American consumer is buying with optimism and confidence.

As a manufacturer and marketer of quality automotive lubricants, Quaker State is interesting in the continued growth and use of all types of motor vehicles. If the estimated production of passenger cars reaches the the expected five and one-half million, 1959 should be a successful and profitable year.

There is much evidence that the small car will continue to grow in popularity. By late 1959 or early 1960, makers of foreign cars will undoubtedly be meeting with stiff competition from U. S. manufacturers. The growing popularity of the small car should accelerate the trend to more two and three car families. With increasing number of passenger cars, trucks and buses, we must have greater highway construction, enlarged parking facilities, more and better service facilities, and better motor fuels, oils and lubricants.

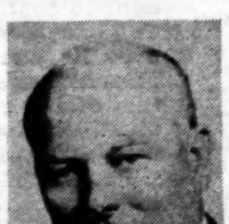
Quaker State has been making plans on a long-term basis. Manufacturing and research facilities have been given special attention and are being expanded. Supplies of our most important raw material, 100% Pure Pennsylvania Grade Crude Oil, are more than adequate. Additional expansion in pipeline transportation facilities was made in 1958. Continued special attention will be given to research and product development, the maintenance of a high degree of efficiency in all manufacturing and marketing facilities, and to overall management.

Among the things which call for a degree of caution are the continued threat of inflation and the continuing spiral of increased wages and living costs. The Oil Industry as a whole faces some uncertainties in 1959 as a result of the recent action of the union of oil, chemical and atomic workers in terminating some 600 contracts. It is hoped that early 1959 will bring a satisfactory adjustment of those problems which could be harmful to the Oil Industry and the general economy. I am optimistic that a sane and realistic viewpoint on the part of management and labor will prevail and thereby eliminate one of the greatest threats to our present economy.

EVERETT H. LANE

President, Boston Mutual Life Insurance Company

Despite the recession in the early part of the year, insurance sales for 1958, particularly in the New England States area in which Boston Mutual operates, were most satisfactory. Measured by the record year of 1957, ordinary sales were substantially up, and sales of group and industrial life insurance declined slightly.



Everett H. Lane

The life insurance industry is giving to the insuring public policies and service designed to meet constantly changing needs. Competition in the industry is keen and management is faced with the necessity of adapting its thinking to new ideas and to the requirements of informed insurance buyers.

Large segments of the country's citizens are either uninsured or need more modern and adequate protection. An unparalleled number of teenagers are becoming life insurance prospects and this will continue to be so for the next few years. The need to prepare for the eventualities of death and old age is as acute as ever before.

Because the life insurance industry is alert to these and many other considerations, and because the industry has always met the challenge of an expanding market in a rising economy, it seems reasonable to expect that the year 1959 will show extensive gains in insurance sales and a substantial rise in the volume of insurance protection.

The life insurance companies are faced with an increasing burden of Federal taxation, as well as increasing costs. However, competition and the ever-present desire to give to the insurance buyer the best product at the lowest cost will require that improvements and economies in operations be found to offset the unfavorable factors.

In summary, the year 1959 should show again that the life insurance industry is a growing and ever more important factor in the economy and the lives of the people of the United States.

ARTHUR B. LANGLIE

President, McCall Corporation

If McCall Corporation reflects the industry-wide trend, publishing can look forward to continuing public acceptance and rising profits for 1959.

We think advertisers, taking advantage of magazines' expanding circulations and proven readership loyalties, will step up advertising budgets this year to meet the demands of a growing population with its growing income.

A. B. Langlie

Manufacturers of established national brands, eager to boost their sales, have already started the trend to larger advertising expenditures for the new year. Here at McCall Corporation, both McCall's magazine and Redbook show substantial increases in advertising revenue for the first two months of 1959. New advertisers not in McCall's last year, like Coca-Cola, Singer Sewing Machine, Libbey Glass and Fieldcrest Mills, have been scheduled for 1959. Continued linage and revenue gains for the magazine are anticipated throughout the year.

Large numbers of new products scheduled for promotion to the consumer markets, greater demands for color printing and more imaginative use of the printed page, will brighten the profit outlook of many of the nation's publishers in 1959.

The rising circulations which magazines have enjoyed in the past 10 years—McCall's went from 3,890,000 in 1949 to 5,345,000 in 1958; Redbook from 1,941,667 in 1949 to 2,741,000 in 1958—will continue upward.

This circulation vitality, we think, is based on increased audience loyalty, more effective circulation methods, a large adult population, and wider educational opportunities, which seem to be reflected in more literate readership.

This year's encouraging activity in advertising and circulation, naturally, affects favorably the printing end of the business. Our printing plant in Dayton, one of the largest in the world, is currently producing an average of 3,000,000 magazines a day, and we expect an even greater output for the next 12 months.

The increase of postal rate expenses, imposed last year, are being reduced somewhat at McCall's—as with other magazines—due to new methods of distribution and mailing.

Though 1958 proved to be a relatively slow year for the publishing industry in general, our company showed an increase of 15% in net profits. Other publishers, too, perhaps spurred by the competitive conditions of last year, have adopted new techniques and facilities to improve their positions and, like McCall's, undoubtedly foresee increased creativity, productivity and sales for 1959.

JOHN A. LAWLER

President, Aeronca Manufacturing Corporation

1958 represented a year of achievement for Aeronca, as well as for the aircraft and missile industry of the United States. With estimated sales of $23,100,000 and a sales order backlog of approximately $40,000,000 Aeronca finds itself again closing the best year in the company's history.

John A. Lawler

Our employment is somewhat less, due to skills developed in the processes of manufacturing, and to physical moves which have permitted more efficient and economical production. We feel, however, that Aeronca has been and will continue to be a significant factor in the further growth and development of the Middletown community area.

For the aircraft industry as a whole 1958 was a year of readjustment of programs, and of re-examination of future requirements. Employment generally declined in the early part of the year, but as economic requirements of the Department of Defense loosened in the early fall, employment began to gain until by year end it was approaching normal. As the re-examination of programs continued, many of the aircraft companies made radical changes in their organization to meet the changing requirements.

To the skilled observer it became apparent that production of both manned and unmanned aircraft was destined to continue simultaneously for a considerable period. The present distinction between manned aircraft and missiles and rockets will gradually merge until soon the distinction may be only one of propulsion, that is, between conventional systems and rocket or nuclear propulsion.

According to available preliminary data, 1958 saw an increase of more than 50% in the orders placed for aircraft and missiles during the first nine months of 1958, compared to the first nine months of 1957. However, actual expenditures for the same period showed only a slight gain due to budgetary expenditure limitations.

By year end many decisions affecting the future of the industry became evident. The manned aircraft program is continuing. Production of the B-52-G "Missile Platform" jet bomber has been extended. This world-circling heavy-bomber is the major weapon of the Strategic Air Command presently in being as our major weapon of strike force retaliation. This aircraft will be supported by the KC-135 strato-jet tanker which holds all records for sustained non-refueled high speed flight.

Convair's B-58 supersonic jet bomber has been certified for inclusion in the Air Force inventory as an operational weapon system.

Man's dream of space travel moved toward realization with the "roll out" in the late fall of the X-15, North American's manned missile, capable of the highest speeds and altitudes ever to be penetrated by man. Test flights are expected to begin in mid 1959 which should yield much in new data in man's ability to enter and return from space. The X-15 is designed to accelerate to speeds in excess of 3,600 miles per hour in 90 seconds.

The fantastic pace for the industry, set by military air requirements, was high-lighted in contract awards by the U. S. Air Force for a tri-sonic manned bomber to fly at speeds in excess of 2,000 miles per hour, at altitudes above 70,000 feet.

More than 40 missile projects, ranging from small air-to-air missiles to IRBMs and ICBMs had been announced by the military services by year end 1958.

The nation's aircraft industry plays a major role in all these with responsibilities in the manufacturing fields of the airframe, the propulsion, or the guidance system.

During the year hardware was delivered that resulted in placing five satellites in orbit, based on various IRBM and ICBM combinations. The largest and most powerful, the Convair Atlas, is delivering unique information, including the President's Christmas message.

Aeronca has found it both necessary and possible to keep step with the industry in its progress towards expanded responsibilities in the aircraft and missile field. In some areas Aeronca finds itself one of the leaders. In such fields as the development and fabrication of high-temperature structures for aircraft and missile production Aeronca has attained acknowledged leadership.

Major expansion and rearrangement of facilities has provided for the efficient and economical manufacture of structures as well as providing for continued research and development activity to retain that leadership. New activities have been purchased, or mergers are in progress which will insure continued development of Aeronca's capabilities.

Aeronca-California Corporation, a wholly owned subsidiary, was established in July, 1958 in facilities acquired from Pastushin Aviation Corporation, Los Angeles, California. The Division is engaged in the manufacture of B-52-G "Missile Platform" wing tanks and pylons.

Formal merger agreements with the Longren Aircraft Company, Incorporated, have been signed subject to stockholder action which is expected to occur in February, 1959. This merger, when accomplished, is expected to add materially to Aeronca's position in the West Coast portion of the aircraft industry.

Aeronca's Baltimore Division developed and is concentrating on the production of electronic devices for aircraft and missile use. This line is marketed under the trade name "Aeronca-Digidac."

November saw the entry of Aeronca into a "weapon system" approach to the development and production of missile requirements. Aeronca, as the systems manager, associated with the Emerson Electric Manufacturing Company of St. Louis, Mo., and Experiment, Incorporated, of Richmond, Va. established an industrial team to participate jointly in competition for missile target systems now under consideration for inclusion in the Department of Defense inventory of missiles.

We feel that 1958 has been a fine year in which great progress has been made. Much remains to be done. Plans should reach fulfillment in early 1959 which will materially add to our production capabilities in the field of advanced high temperature aircraft structures.

We feel that, in all the communities where Aeronca is now operating, we shall be able to move forward with the industry and assist in the growth and development of those communities. In particular, our Middletown activities are on a sound and growing basis in which we expect to again produce in 1959 a record volume of business.

J. RAYMOND LEEK

President, Philadelphia-Baltimore Stock Exchange

The year 1958 ended as the best year in the recent history of the Philadelphia-Baltimore Stock Exchange. There were traded approximately 10,000,000 shares, the largest volume since 1931. This increase of 28% follows an increase of 6.9% in 1957, the greatest relative increase of any exchange in the country.

J. Raymond Leek

The Stock Clearing Corporation, a wholly-owned subsidiary, now clears more than 1,000 transactions a day. It offers our members more services and facilities than any similar organization. They include clearance by mail for out-of-town firms, 19 of which are located along the Atlantic Seaboard south of Washington, all the way to Alabama and Florida. Methods for broadening the services of Stock Clearing Corporation are being studied, along with the most modern methods for handling the continued increase in business anticipated.

The cumulative effects of our continued expansion and the broadening of our markets should encourage increased business in the new year. We fostered an agreement, concluded between the Boston and Pittsburgh Stock Exchanges in November, 1958, which is adding to

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the activity of their markets as well as markets on the P-BSE. This is accomplished through the facilities of the P-BSE, which had previously concluded a similar arrangement with these exchanges individually.

As the result of the alliance of the three exchanges, they are now in a position jointly and severally to attract the primary listing of the securities of corporations located in the Eastern United States. Sources of distribution throughout this entire area are now available; and the repeal of the Pennsylvania Stock Transfer Tax by the 1957 session of the Pennsylvania legislature makes dealing on the P-BSE most attractive to investor as well as issuer. There is good and sufficient reason for issuer as well as investor to patronize the home market, which we anticipate to an increasing extent.

EARLE H. LE MASTERS

President, Pacific National Bank, San Francisco, Calif.

The outlook for 1959 is to me most promising. Even though there may be some slackening in pace the business recovery which started in the latter part of 1958 the year should continue with a satisfactory momentum through at least the first half of 1959. Business conditions in the West are generally good and on balance should remain so. It is my opinion that the demand for loans will continue strong through the first half of the year if not longer.

E. H. Le Masters

The Pacific National Bank of San Francisco is looking forward with confidence to the year 1959 and in fact is programming additional capital early in the year to meet the growing demand for credit.

HOWARD F. LEOPOLD

President and Chairman, Ero Manufacturing Co.

Nineteen fifty-nine will be a good year for the automobile seat cover industry if new car sales come up to predictions. While the older car is still our principal customer, current fashions of rich upholstery have caused an increasing percentage of new car owners to install seat covers, particularly the clear plastic types. It is also significant that 84% of new car purchases involve trade-ins, generally leading to "dressing up" of the traded car by the dealer with attractive new seat covers.

Howard F. Leopold

The favorable prognosis for 1959 is particularly true for those companies which in the past two years were able to lower costs or counteract declining seat cover sales by diversification. Ero Manufacturing Co. is a case in point.

Anticipating the general business downturn in the latter half of 1957, we instituted a comprehensive cost-cutting program, including expansion of facilities in areas favorably situated with regard to labor supply and costs of shipping to our markets. As a result, despite lower sales, we were able to increase profits. This was moreover after heavy expenses in development of new products.

The further results of this program are evident in our fiscal year ending this Jan. 31. While industry sales of seat covers declined with the drop in new car sales, our volume has been sustained at year-earlier levels and earnings will again show improvement.

Two factors have contributed to our successful sales year. The opening of our chain of Protecto franchised auto specialty stores has held sales of seat covers and auto accessories to a level closer to the previous year's than achieved by the industry generally. The introduction of new products in the health and sporting goods fields has added substantial new volume to over-all sales.

These factors will be even more important in 1959. We will have the benefit of a full year's sales from 12 Protecto stores opened at various times during the second half of last year. In addition, we expect to open some 30 new units in the chain this year. Firmer establishment of our new products will also improve their contribution to volume.

The recent acquisition of the seat cover division of another company in Dallas, Texas, will not only add directly to sales but will make possible the penetration of a new geographical area with our full line of products, further economies in distribution, and a more efficient realignment of our production facilities. We will also announce shortly the introduction of other new products in our sporting goods line.

Such moves have placed Ero in a position to benefit sharply if anticipated new car sales bring an increase in sales of auto seat covers. More importantly, they signify our intention not to be dependent solely upon general business conditions. We consider this, apart from all statistical auguries, to be a salutary attitude for any company.

R. G. LeTOURNEAU

Chairman of the Board and President, R. G. LeTourneau Inc.

There is now quite a bit of heavy construction in the offing and that's the key to good business. Things seem to be coming back up "slow but sure" since the slump a year and a half ago. I do not look for any tremendous boom, but I see no reason why we should not keep climbing steadily ahead and quit being so jittery that the moment we hear things are slowing down a little everybody starts to cut inventories. In fact, I think that a lot of people are keeping their inventories dangerously low right now, because as wages continue to rise and inflation grows, they will pay higher prices to get their inventories back where they belong.

R. G. LeTourneau

I do not believe the thing that happened in 1929 and 1930 will ever happen again, because I think we learned our lesson. What happened back there in 1929 was that when things began to slow down, everybody acted like the world was coming to an end and our State and Federal Governments both began letting construction contracts forbidding the use of machinery. The Florida Canal was started using wheelbarrows to build it. No wonder they dropped it. The propaganda was that we had made too much machinery, and they literally threw a monkey wrench into the gears of manufacturing. One of my accountants figured it out in 1935 as our Peoria factory was just getting well under way and I was already proposing an addition to it, that with the addition I would be able to supply all the grading machinery the whole world could use. He warned me that of course I wouldn't be able to get all the grading business. I imagine the grading machinery used today is 20 times what it was then and I'm still planning on making a lot more of it.

A large part of the world is still crying for machinery to lift the load from the backs of laborers and feed the hungry. I think we may have to go over to the foreign countries and teach the people to build their own machinery. Perhaps to make it easier we could build one part in one country and another part in another country, etc. Then we could trade the parts by the hundreds of thousands and each country could assemble thousands of machines for their own use. Anyhow, there's lot of business to be done yet, so let's get going."

ARTHUR D. LEWIS

President, Hawaiian Airlines

We are strongly encouraged by the admission of Alaska to statehood, and feel confident that Hawaii will become a state during 1959. The issue of statehood will focus national attention on Hawaii as never before. The rest of the United States will develop greater appreciation of the tremendous vitality of the economy of Hawaii. This will result in substantially increased investments in Hawaii from mainland sources of capital, further stimulating the very dynamic growth of the Territory.

Arthur D. Lewis

The total economy of the Territory should expand in 1959; however, it would appear that the basic growth will continue to be primarily on the island of Oahu and in the City of Honolulu. It appears that the economy of the neighbor islands will continue to feel the damaging effect of the sugar strike for some time and the reduced opportunities for employment in the agricultural communities.

Perhaps more than any other business in the Territory Hawaiian Airlines is tied to the economic development of the neighbor islands. While there should be some improvement over 1958, it is doubtful that the volume of air travel will exceed that of 1957.

JOHN F. LILLY

Chairman of the Board and President, St. Louis County National Bank, Clayton, Mo.

It seems as we emerge from our recent recession certain basic factors have proved to be guideposts for our national economy. Cutbacks in corporate capital expenditures and a heavy decline in inventory purchases, it now appears, were the main factors which pushed us into the recession. These had profound effects upon the economy as a whole but did little to effect certain industries which showed increased production and earnings, and in some cases record highs. These latter industries on the whole fed the economy on the consumer retail level. Here is the key for 1959. In 1958 the consumer kept his purchases to current needs, rather than making any heavy commitments for the future. In 1959 I look for heavier consumer buying in the durable goods with its consequent effect on the auto, steel, aluminum, furniture, housing and electric appliance industries. This, however, should only bring us back to the approximate levels of 1957. This opinion is based primarily on public confidence that the nation is strong and ready for a new period of progress. Should any international event or a series of events dent the armor of this confidence we would certainly be slowed down or even reversed.

John F. Lilly

Another very important factor which could affect the economy as a whole but the stock market in particular is the ability of corporations to hold the line on costs. It is obvious from a look at the recovery rate of corporate earnings, that those corporations who have done some serious cost-cutting during the first six months of 1958 made rapid recoveries in the latter six months. The recent confidence expressed by investors assumes that ratios of corporate earnings to sales will continue when higher sales are realized in 1959. Should corporations not justify this confidence the stock market while moving to new highs in the first six months of 1959 could move sideways or even feel a correction after 1959 second quarter earnings are released during the summer. I feel confident that the majority of prudent corporate executives will recognize this fact and hold the line on costs. Corporate earnings will certainly exceed 1958 and should equal or slightly exceed 1957.

Probably the most oft-discussed factor, although it is a deplorable one, to affect our economy is the inflation of our currency which seems to be assured for 1959 and some time to come. With constant pressure on the Congress from all sides, balancing the budget does not seem probable for the fiscal year 1959-1960. However even a balanced budget of increased size will not stop the inflationary pressure.

The final factor of importance which will affect our economy in 1959 is the availability of credit at reasonable interest rates. I see no softening of interest rates as long as the government continues to utilize short-term obligations to refinance its debt. Interest rates should continue to climb making money increasingly more available but its use becoming more expensive. Short-term corporate bank loans will be on the increase throughout 1959. In conclusion I believe because of the above factors, 1959 should essentially be a recovery year, and possibly herald a new surge of progress in our economy.

WILLIS G. LIPSCOMB

Vice-President, Traffic and Sales, Pan American World Airways System

An upswing in traffic in the last half of 1958 will give Pan American World Airways an increase of 11 per cent this year over 1957 on its transatlantic routes. In the last six months of 1958, traffic on these routes gained 18 per cent over the last half of 1957, in a dramatic upswing.

Willis G. Lipscomb

This growth in transatlantic business was the result of improved business conditions and of the introduction of Pan Am's jet service on the Atlantic. The stimulating effect of the jets can be judged from the fact that advance bookings to Paris, Rome and London—Pan Am's Jet Clipper destinations — during the period January through April, 1959, are two and a half times those on the books for a similar period a year ago.

The growth in transatlantic operations was reflected to a lesser extent throughout the Pan American system during the latter half of the year. From a modest beginning, stemming from the business recession in the United States, passenger travel on Pan American's worldwide routes increased an estimated 6 per cent over the second half of 1957.

Cargo ton-mileage also increased this year over 1957. The airline's eastbound transatlantic cargo ton miles showed a 45 per cent increase for the first 10 months of 1958 over the same period in 1957 and are estimated to hold to that level for the full year. Ton mileage in the Company's Pacific Division increased by 6 per cent, and over its worldwide routes as a whole by 10 per cent. Pan American's cargo ton mileage for 1957 surpassed that of any carrier, domestic or overseas, with a total of 96,595,000 ton miles. This year the total may be more than 100 million.

Looking forward to 1959, I predicted that the business improvement of the last half of 1958 will continue through 1959. Traffic this winter is already showing a considerable increase over last year. Next summer, jet flights will stimulate more travel to Europe than ever before. Of Pan Am's total transatlantic capacity during 1959's peak summer season, 75 per cent will be in 575-mile-per-hour Jet Clippers.

The year 1958 was studded with important developments for Pan American:

It saw the opening of the first United States commercial jet service with Boeing 707 flights to Paris and Rome beginning October 26, and to London on November 16;

The operation of a jet leasing arrangement with National Airlines in which National used Pan Am jets to open the first domestic jet service on its New York-Miami route;

The completion of a jet financing program involving 39 banks in cities all over the United States;

The opening of a $15-million-dollar hangar and Atlantic Division headquarters and the start of construction on a revolutionary new terminal at Idlewild;

The inauguration of Economy-fare flights across the Atlantic—another result of Pan Am's constant efforts to reduce international airline fares;

And a "new look," which brought a clean, modern design and a new paint job to Pan Am planes and other equipment all over the world.

The most significant event of the year was the deliv-

ery in late summer and early fall of the first of Pan Am's $300,000,000 jet fleet of 44 aircraft. The fleet, when complete, will consist of 23 Boeing 707's, 17 of them the long-range Intercontinental version, and 21 DC-8 jets. The first six Jet Clippers are now in operation across the Atlantic to Paris, Rome and London. They have set speed records of 5 hours and 41 minutes to London, and 6 hours and four minutes to Paris. And, they have been operating with an average of 95 per cent of their capacity filled—an extremely high "seat factor" for any time of year, and unprecedented in winter operations.

At the same time, Pan Am's jet lease arrangement with National Airlines, makes it possible for that airline to operate two jet flights every day between New York and Miami. Pan Am jets are turned over to National after they have completed trips to Europe. They then streak down to Miami and back and are returned to Pan American for maintenance and another transatlantic trip. The total elapsed time for the whole operation—roundtrip between New York and Europe and roundtrip between New York and Miami—is less than 24 hours.

In the middle of last year much of Pan Am's New York operation moved into a $15,000,000 hangar designed to service its jet fleet. Eight jets can be parked on the hangar floor and another 14 parked on the ramp outside. A cantilevered roof covers the 180,000 square feet of hangar space, and on each side of the building are eight electrically operated doors 80 feet long and 40 feet high.

Pan Am's new terminal at Idlewild, which will open within the coming year, is of a revolutionary "umbrella" design. A circular cantilevered roof, covering four acres, will extend well beyond the terminal building itself, providing cover for parked aircraft and weather protection for passengers and cargo.

Passengers will board the planes by means of ramps extending directly from the waiting room lounge to the aircraft door. Passengers entering the building from an elevated taxi ramp will have no doors to open. The entrance opening will be a "wall" of warm air.

Modernization of reservations procedures on a worldwide basis is also in the advanced planning stages. Two years ago, Pan Am put in the first nationwide electronic reservations system. By means of this system, the ticket counter agent can get an answer in four seconds to any request on the availability of space on any of hundreds of Pan Am flights. The airline now wants to add refinements—such as automatic ticket price quotation—and make such a system available to the traveling public at all its major stations around the world.

ELMER L. LINDSETH

President, The Cleveland Electric Illuminating Company

The Cleveland-Northeast Ohio area expects to share in 1959 in the continuation of the nationwide economic recovery that was gaining momentum at the end of 1958.

This area, with its close ties to such basic industries as steel and automobile manufacturing, felt the 1958 recession more sharply than the nation generally, and by the same token, our recovery has been more rapid. The arrival of 1959 finds the key economic barometers of this area pointing upward.


Elmer Lindseth

An electric utility is in a position to gauge the overall industrial activity under way in its area, for its production of electric power serves as a cumulative index of all that is going on. Seasonally adjusted, the annual rate of this production at year end was 15% above the low point of the recession in April, 1958. This rate of recovery is encouraging, inasmuch as it reflects the sum total of so many varied industrial activities.

Thus, in 1959, we are expecting a year of solid progress, although something less than a boom with its manifold inflationary pressures.

Steel production remains a bellwether of major significance in Northeast Ohio's business and economic structure. Here too, the trend is significantly upward. The area's steel industry output in December was at 75% of capacity, almost triple the April figure at the bottom of the recession.

Production of auto parts and components in the Cleveland area sagged sharply early in 1958, but by December had reached the highest level of the year as payrolls in this vital segment of the economy increased week by week.

The local automotive plants are gearing up to play their full part in the auto industry's anticipated 30% production increase in 1959.

In spite of the recession and its effects, however, some areas of relative strength appeared in Cleveland-Northeast Ohio during 1958.

The final tally on department store sales, for example, was down only 3% from 1957 volume. The number of new housing units completed in 1958 was less than 1% under the 1957 figure. Our Company's total electric power output for 1958 was 3.2% below the 1957 volume.

Summing up, Cleveland-Northeast Ohio is entering the New Year fully confident that it will be a good one.

F. HAROLD LOWEREE

President, Monumental Life Insurance Company

The outlook for 1959 for expanding and increasing the ownership of life insurance is, I believe, good. Some of the factors which will affect the growth of life insurance are favorable—others unfavorable. In my opinion the favorable factors outweigh the unfavorable to an extent which I believe justifies an optimistic viewpoint for the year 1959.


F. Harold Loweree

It seems probable to me that business activity will continue the presently improving trend throughout the new year. The extent or degree of this expected improvement could be lessened by such factors as public non-acceptance of the 1959 automobile models, rising costs of living brought about by inflation, the attitude of organized labor in striking to enforce wage demands, etc. However, it appears to me that in spite of such possible adverse factors business activity will most certainly exceed 1958, and probably will exceed 1957. My belief is that unemployment will lessen, and disposable personal income will increase.

I would judge that sales of new insurance in 1959 will exceed 1958 by perhaps 10%; terminations should be considerably less, and the net gain of insurance in force will, I believe, be considerably better than in 1958.

On the matter of Federal taxation of life insurance companies, I believe that it is highly probable that a new and permanent formula will be adopted by the Congress early in 1959. There would be no point at this time in attempting to guess what form a new law, if enacted, would take, but it would be reasonable to believe that total Federal income taxes paid by all of the companies as a group will be significantly greater in 1959 than in 1958.

The net rate of interest received on investments will probably show an increase in 1959 over 1958. It appears that the demand for new capital for plant and equipment expansion, housing, and public works will continue to be strong. In addition, there is the possibility that Treasury Department financing could result in a further firming of long term rates.

Creeping inflation, it seems to me, is the greatest single threat to our economic well being in 1959.

HARRY J. LOYND

President, Parke, Davis & Company

I expect a continued strong improvement in general business conditions in 1959 and a modest increase in our own sales and earnings position. However, an inflationary spiral could offset many of our gains.


Harry J. Loynd

As for Parke-Davis, we enter 1959 with more potential new products in the advanced stages of clinical investigation than we have had in some years.

Our $50,000,000 five-year capital expansion program, entering its third year, is continuing on schedule, and will enable the company to take advantage of new markets in various countries of the world.

We expect to move into our new $12,500,000 Medical Research Laboratories in Ann Arbor, Mich., in the fall of 1959, and our branch building program is well underway both here and overseas. Our modest increases will be achieved by sound marketing of our products to meet the growing health needs of the world.

WALTER T. LUCKING

President, Arizona Public Service Co.

Conservative estimates of Arizona's 1959 economy indicate a general business gain of approximately 10%. This follows economic growth trends experienced by the state since 1945. In spite of economic losses in other parts of the nation during the past year, Arizona maintained this upward trend.

In our own business — electric and gas service — we expect an overall increase of approximately 11%. Electric business has been forecast to increase by 12%. Our gas service should record a 9% gain.

At the outset of the new year, renewed confidence is to be found in nearly every segment of Arizona's economy.

Mining, a basic and important Arizona industry, has a much more hopeful outlook for 1959. Major copper producers in this state, for instance, have lengthened their work weeks recently. The marketing situation, as far as this metal is concerned, has improved greatly over a year ago.

On the farming scene it appears that Arizona farmers will experience another prosperous year. Cotton production will undoubtedly go up as the result of increased acreages. Vegetables, citrus and other diversified crops in greater quantities than previously will contribute to overall agricultural gains. Range conditions signify cattle population increases.

An outstanding factor contributing to Arizona's economic growth has been the phenomenon of industrial development in the state since 1945. That this growth will continue is indicated not only by inquiries and investigations of manufacturing firms now located outside the state but also by announced expansion plans of firms already here. One nationally-recognized company, for instance, has a $43 million backlog of non-defense orders.

Since 1948 a total of 223 new manufacturing firms have moved to the state. Most heartening sidelight to this fact is the diversification of these industries. A survey of these firms now manufacturing "Arizona Made" products shows that these firms, on the average, are looking forward to a 10% increase in business in 1959.

Promotional efforts to add to the roster of diversified manufacturing industries will continue at an accelerated pace during 1959.

Tourists visiting the state are expected to arrive here in greater numbers than ever before during the coming year. Some predictions are for an increase as high as 15% over 1958.

Finally, private and public construction for the coming year will definitely keep going up. Those in the industry confidently expect this segment of the economy to set new highs during 1959. Based on the nearly fantastic pace construction has set over the past 10 years this is an exciting and stimulating factor for the entire economy.

Summing it up, it appears that for Arizona 1959 bids fair to be another year of business progress.

H. H. LUNING

President, International Packers Limited

International Packers Limited made progress during 1958 in expanding its operations and went through the early stages of absorbing its acquisition of the Armour & Company foreign producing and sales units. 1959 should permit further achievements in the integration of the newly acquired assets and the broader base of operation should permit our company to better cater to the world demand for animal protein. With the economic progress that has been made in Europe and other areas, greater demands are being created for meat, particularly beef, and the world cattle population does not appear to be keeping pace with the rate of human increase, so that a good outlet for beef and beef products is indicated for the coming year.


H. H. Luning

Substantial currency alterations were made at the year-end, so that a clear estimate of 1959 trade is difficult. It is our feeling, however, that the steps that have been taken both in Europe and elsewhere will tend to increase the international exchange of goods, which should be beneficial to both producing and consuming countries.

KILGORE MACFARLANE, JR.

President, Savings Banks Association of the State of New York

President, Buffalo Savings Bank, Buffalo, N. Y.

What kind of a year has it been? For the 128 savings banks of New York State 1958 has been another year of progress and of service to the people.

In encouraging thrift and making thrift safe and profitable, we have helped to assure the financial security of families, homes and communities throughout the state.


K. Macfarlane, Jr.

And we have set new records. Today, the savings banks of New York State maintain the safest security for the savings of more than 11 million depositors, whose deposits total more than $20 billion, up $1.4 billion over last year. This year we paid out nearly $610 million in interest-dividends. Our mortgage holdings stand at $14.9 billion.

All this was accomplished despite the antiquated State Banking Law that prevents savings banks from providing the services wanted and deserved by millions of the state's citizens.

We have helped more people own their own homes. We continued to be the primary source of mortgage funds in the state, with holdings of more than half of the total mortgages held by the major financial institutions on properties within the state.

Today, more than 4,375,000 people in New York State live in homes or apartments being financed by savings banks. In New York City, one out of every two families lives in a home financed by a savings bank.

The principal change in the mortgage portfolio during the year was a net increase in mortgage holdings of approximately $1.4 billion—over one-third more than in 1957. There was also a 20% rise in new mortgage loans reflecting principally an expansion of FHA loans.

Conventional mortgages aggregated $4.9 billion or about 33% of the total loans outstanding. Investments in FHA mortgages totaled $3.7 billion or 25% of the total.

VA loans amounted to $6 million or 40% of total loans. More than 600,000 New York State veterans now live in homes financed by savings banks. And, as in past years, savings banks lead all other financial institutions in making home ownership possible for war veterans.

We continued to help the state's communities grow and prosper, with investments of close to $2 billion in more than 195,000 home mortgages in two counties alone—Nassau and Suffolk.

Savings banks of New York State were also able to

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make home ownership possible for many thousands of families elsewhere in the nation, mainly war veterans. This has helped New York State to remain the financial heart of not only the nation, but the world, and has helped enhance the prestige and prosperity of the Empire State.

The home loans amount to approximately $6.35 billion.

Our investments in state and municipal bonds of more than $450 million helped make possible more schools, roads, highways, houses of worship, and other state and municipal improvements.

More than $3.5 billion of assets we hold for our depositors have been invested in Federal securities, helping to finance the needs of the Treasury.

Meanwhile we continued to provide additional services and conveniences to the people, such as low-cost life insurance, sold over the counter at 165 of the state's savings bank offices, which reached a new high of close to $360 million.

Savings banks continue to encourage thrift among the state's school children. Approximately 1,217,951 school children hold $55.2 million in savings.

During the year the savings banks completed a study of per capita savings in New York State. The study revealed that where there are savings banks, people save more. In counties where there are savings banks, average savings per persons are $1,646. In counties without savings banks, per capita savings averaged only $531. The average savings bank account in New York State is $1,777.

During 1959, The Bank for Savings in the City of New York—the state's oldest, will be 140 years old. The Seamen's Bank for Savings will be 130 and both the Schenectady Savings Bank and the Bowery Savings Bank will observe 125 years of service to the people.

During the past year The Greenwich Savings Bank held its 125th anniversary celebration. The Southold Savings Bank passed the 100 mark. At present, there are 41 savings banks in New York State over 100 years old.

In this past year, the savings banks of our state joined more closely to repulse the unwarranted attacks on our industry and to refute our detractors by telling the savings bank story more positively, more widely and more effectively.

Now, what kind of a year will 1959 be?

It will be our 140th year of progress and of service to the people. On the basis of recent years, we can forecast for '59: deposits totaling $21.4 billion; mortgage holdings of over $16 billion; interest-dividend payments of about $640 million.

These are modest figures that reflect the continuing growth of savings banks in the face of handicaps imposed upon them by the tin-lizzie State Banking Law—a law which does not take cognizance of the people's need for full and modern banking services of all types.

We will continue, however, to make home ownership possible for more millions, to provide a safe and profitable haven for savings, to help our state and its communities to grow and prosper.

We will do more than this. We will continue to wage war against inflation, fully conscious of our respsonsibility for leading in this vital battle, fully aware that if the forces of inflation sweep the nation all the people will suffer.

We will make every effort to drive home to the people and their representatives the imperative need for increased savings, to make the public abundantly aware that our dynamic economy makes it more essential today than ever before that capital requirements be provided by savings, rather than by an inflationary rapid expansion of the money supply.

The savings banks of New York State also will make every effort to oppose any change in the tax status of savings banks in the conviction that to tamper with the tax status of mutual savings banks would only result in a tax on savings and the saver.

Because of the fundamental difference in the nature of commercial and mutual savings banks, it is fruitless to talk about uniformity of reserve position for the two types of institutions. The savings banks of New York State believe that bad debt reserves should be increased for all types of commercial banking institutions, rather than tear down the reserves now permitted to mutual savings banks.

The net income of mutual savings banks is apportioned to the depositors of those banks, either directly in the form of interest-dividends, or indirectly in the form of surplus and reserves which provide for the additional protection of all depositors, present and future. No one but the depositor has any share in this income.

The willingness of the people to save is our main bulwark for economic stability. The savings banks of New York State are the state's leading thrift institutions. To alter the tax status of mutual savings banks would injure these depositors, discourage them and others from saving, reduce the funds available for home building and for other investments.

The present banking law in New York State became effective in 1914 and has undergone only piecemeal modification since then. Today the antiquated legislation tends to hamstring savings banks in carrying out their traditional service to the public—making thrift safe and profitable.

Not only has population grown from nine million in 1914 to 17 million today—but there has been an explosion to the suburbs. New communities have sprung up. There is a great need for mortgage funds—for capital. But savings banks in New York State—the principal source of funds—must operate under this obsolete law.

The savings banks of New York State stand ready—as we have in the past—to cooperate fully with other elements of the banking community in efforts to bring about legislation that would *make it possible for all types of banks to better serve the people.* The savings banks will work toward a modernized banking law. The savings banks are hopeful that legislation will be enacted to make it possible for more people throughout New York State to have the advantages and convenience of savings bank facilities near where they work and live.

During the coming year we will act with a confidence based on honesty, on honor and the proud record of our service to the people of our state. We shall continue to operate in the best traditions of savings banking.

STEPHEN A. MAHONEY

President, The Park National Bank of Holyoke, Mass.

The outlook in the area in which I am situated for both banking and industry for 1959 seems to be quite favorable. The demand for goods that are manufactured in this area apparently seems to be increasing, and while we have had some unemployment, this is now being corrected, and will probably be better in the year to come. Because of this increase in business activity and the decrease in unemployment, it seems that the demand for banking facilities will be increased. It seems likely that both the demand for long-term borrowed funds and also short-term consumer credit will be almost as large, if not larger in 1959, as it was in 1958. Because of the increasing employment, savings deposits also are rising slowly but steadily. This expanding business activity doubtless will mean larger demands both on the part of the consumer, and on the part of business, for more funds to carry on their activity in 1959.

Stephen A. Mahoney

Where in the latter part of 1958 the savings deposits and commercial deposits showed some definite recession, there is now definite evidence that both the commercial and savings deposits are increasing. Although the increased purchases of durable goods will involve some withdrawals of savings, and also some diversion of income into debt repayment, it seems also that more and more people are being attracted into the purchase of common stocks, and this will undoubtedly cause some flow of savings deposits into the stock market in the form of investments in this type of security. With the increase in employment, there also will be undoubtedly more demands for consumer credit for both the purchase of durable goods and perhaps for the increase in mortgage loaning. The facility with which the increased loan demand will be able to be met will depend very much upon the course that credit policy takes and the course which this credit policy may take will depend very much upon what the Federal Reserve may decide to do in the tightening or loosening of credit. At the present time, they have adopted a somewhat precautionary policy which seems to be quite appropriate to me in the light of the conditions in the national economy.

Another factor that must be taken into consideration in looking forward to the latter parts of the year 1959, is the general overall inflationary spiral our economy has taken in recent months. The recent elections on a national scale and at a state level in which the public apparently approved the so-called "spenders," must be viewed with something of alarm in taking a long-range viewpoint. The recent strikes on the airlines and the shutting down of all the newspapers in New York City are just examples of a rather shocking public disregard of the simplest laws of economics. If the so-called "free spenders" are given their way, and are allowed to go on passing legislation which ignores the very simple and basic laws of economics, the spiral in of inflation will accelerate. If this acceleration continues, the next crisis we will be facing in the year 1959 is the possibility of a devalution of the American dollar.

Due to the creeping inflation over the last few years, the dollar has slowly been declining in its purchasing power, and if this decline is accelerated by poor economic legislation, the fixed income received by millions of our citizens each week will be at stake. In fact, the whole American economic system will be at stake because, unless private capital can be accumulated steadily under a stable price level, eventually job creation will be impaired, and I feel from the long-term viewpoint looking forward into the year of 1959 that we have reached the climax in the battle between the so-called "spenders" and the "savers" in the fight to maintain a stable dollar. This fight is vitally the concern of every working man, woman, and child in America, because it is a fight against the organized breed of pressure groups.

However, be that as it may, I think that the short-term viewpoint for the year 1959 is a favorable one because of the fact that business is increasing the inventories that they have allowed to decline, and so creating more jobs, and so creating more purchasing power for the worker who will then buy the various goods that he or his wife wishes to purchase. Also, the overall picture for 1959 in my mind is really good. In this area, we have practically made almost a full recovery from the recession of 1958, and in all probability as has been predicted by most of the analysts, the spending overall for goods and services through 1959 will be greater than in 1958. Also, due to some of the lessons learned through the recession, there will be a better price stability in 1959 than in the years past. With increased income and the prospect of better jobs available, the consumer will have a tendency to spend more for both goods and services, and also to use his banking credit to a greater degree than he has in the past.

I further feel that through the year 1959 business also will continue to spend more and to buy a little less cautiously than they have in the past, because they are being forced to rebuild a depleted inventory and to begin to think about the problems that go with further expansion. Perhaps by the end of 1959, the businessmen are likely to grow more optimistic, and to increase investment in new plants and equipment.

The one cloud on the horizon in the long-term view to my mind, still is the steady continuing decline in the purchasing power of the dollar and the upward wage price spiral. The fact that our dollar is now at a discount in a number of the nations of the world gives one food for thought. The fact that the dollar is at a discount in Canada, Japan, Germany, and several European countries is not reassuring from the long-term viewpoint, because the dollar is the symbol of America's strength in the world of today where there is uneasiness about the future of the currencies of several nations.

It is a well understood fact that there is no monetary unit anywhere in the world that would be safe from decline if the dollar's value really started downhill. However, that is in the somewhat distant future, but for the immediate outlook for 1959 throughout its entire year in my mind, it will be one of good business for both banking and industry not only in this area, but throughout the nation due to the continuing recovery from the fears and facts of the last recent recession, and this recovery shall undoubtedly extend entirely through the year 1959 and into 1960, and so it should be a happy new year for all of us concerned, the consumer, the businessman, and the banker.

FREDERICK MACHLIN

President, The Armstrong Rubber Company

As we enter 1959, the business climate is almost the opposite of that existing a year ago. The upturn in the general economy is proceeding at a rapid rate, and there are strong indications that the level of business will continue to rise. Encouraging and significant is the fact that the liquidation of business inventories appears to have ended. Gross National Product is now running ahead of the predictions of most economists.

Frederick Machlin

Thus, the outlook for the general economy appears good, and we in the tire industry expect to have an excellent business year.

Our nation's automotive fleet of some 67 million passenger cars and trucks will be called upon to deliver more than 650 billion miles of transportation during 1959. For those of us engaged in the business of providing safe tire mileage to the country's motorists, this factor, in itself, will guarantee another good sales year for replacement tires. Moreover, with the prospect of a 20-25% increase in new automotive vehicle sales over 1958 and the resulting increase in original equipment tire sales, the tire industry is heading for a record year.

We estimate that in 1959 some 70.5 million replacement and 33 million original equipment automotive tire units will be sold, an increase of nearly six million units over 1958.

The spectacular growth in vehicle registrations has created a large, growing, and strong demand for automotive replacement tires. The inherent strength of this segment of the market was vividly demonstrated by its favorable behavior during 1958 while many industries recorded reversals. Final industry figures will show that in 1958, some 3.5 million more automotive casings were sold than in 1957. During the past 10 years, sales of passenger car and truck tires to the replacement market have grown from 49 million units to more than 68 million. It is evident that there is a rapidly growing market for replacement tires.

Since The Armstrong Rubber Company sells almost exclusively in the replacement market, we expect to better our outstanding performance of 1958 during which the company established new sales and profit records.

The net sales of our company and its wholly owned subsidiaries totaled $81,317,403 for the 1958 fiscal year, an increase of $5,179,974, or 6.8% over net sales of $76,137,429 reported for the previous year. When the sales of our 50% owned affiliate, Armstrong Tire and Rubber Company, Natchez, Mississippi, are included, the combined sales totaled $100,980,558, an increase of 6.9%. Net income in 1958 amounted to $3,227,756, equal to $2.08 per share, compared with $2,950,423, equal to $1.90 per share, the previous year, an increase of 9.4%.

Production and distribution facilities in the industry must keep pace with the growing demand for tires and Armstrong is presently engaged in a multi-million dollar expansion and improvement program. Additional automatic curing presses are being installed in all our tire plants in order to substantially increase our productive capacity. New warehouses are being constructed at our tire plants to provide increased storage. These improvements, plus the introduction of three new lines of tires during the coming year, will continue to strengthen our position in the market.

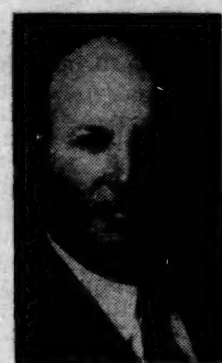
We believe that 1959 represents a year of opportunity for the tire industry because of improvement in the general economy and rising business levels. We, at Arm-

strong, intend to capitalize on these conditions by virtue of the favorable position we have achieved in the industry.

JOSEPH A. MARTINO

President, National Lead Company

Our company experienced a gradual and steady improvement in sales and earnings starting the middle of 1958. We expect this improvement to continue during 1959—possibly at an accelerated rate. Our business, of course, is largely dependent upon the economic welfare of our customers. The major portion of National Lead's business goes to the building and building maintenance industry, the automotive industry, the petroleum industry, the railroads, and the chemicals and plastics industry. It is noteworthy that in 1958 conditions in at least three of these industries (automotive, petroleum, railroads) were rather depressed; — perhaps even to a greater extent than general business conditions. Since these particular industries are generally considered cyclical in nature, and since some improvement has already been noted in them, we anticipate a rather marked increase in their rate of operations in 1959. We expect to participate in this increase.



Joseph A. Martino

National Lead's 1958 sales to the building and building maintenance industry, and to those customers who produce chemicals and plastics, were not much affected by the decline in general business conditions. These consuming industries, less cyclical than many others, have experienced some improvement in the last few months. It is expected that this gradual rate of improvement will be maintained during 1959.

Recognizing economic conditions in 1958, National Lead Company put more than ordinary emphasis on streamlining its operations for maximum efficiency. Substantial savings were made by trimming expenses wherever possible. We anticipate that 1959 profit will be favorably influenced by these economies. The advantage of many of the efficiencies made last year can be retained in full or in part in 1959 when increased business activity is expected.

In addition to serving the industries mentioned above, National Lead operates a number of plants owned by the Atomic Energy Commission. In 1958, to consolidate our various activities in this field, a new Nuclear Metals Division was created. This Division supervises the operations of government-owned A.E.C. facilities at Fernald, Ohio; Winchester, Massachusetts, and Monticello, Utah, and operates its own fuel element plant at Albany, N. Y.

National Lead has extensive interests abroad. It has a number of subsidiaries in Europe, Latin America, and Australia. There is good reason to believe that these operations will grow at a somewhat faster rate than domestic business. Many of these subsidiaries were untouched by the general fall-off in business which took place in the United States in 1958. Furthermore, a number of them are located in areas which are relatively under-industrialized and which, therefore, seems to have potential for rapid growth.

National Lead is constantly investigating new opportunities for growth. Its research on the die-casting of aluminum engine blocks is well advanced. A joint effort with Republic Steel Corporation aimed at the recovery of iron from a wide variety of ores has progressed beyond the testing stage. Other projects aimed at technological advances in chemistry, metallurgy and engineering are at various stages of development. While eventual commercialization of some of these projects seems assured, the effect on 1959 sales and earnings is, of course, unpredictable at this time.

Because of the status of its existing products, and its new opportunities, National Lead Company enters the new year with confidence in its future.

FRED MAYTAG II

President, The Maytag Company

The home laundry appliance industry, now surging ahead from recession lows earlier this year, should see an increase in sales of approximately 8% during 1959 over the year just ended. We expect our sales to increase somewhat more than those of the industry as a whole during 1959. We anticipate continuing to increase our share of market, as we did in 1958. Also, Maytag's entry into the coin-operated commercial washer and dryer field is expected to add to 1959 sales volume.

Fred Maytag II

It is the responsibility of the industry and everyone in it to recognize the situation early and take appropriate action to prevent a recurrence of the unhealthy conditions which plagued the industry a few years ago as a result of overproduction. Inventory build-ups give ample warning, if heeded promptly, to change production levels. Everyone in the industry is predicting that 1959 will be a better sales year than 1958, and most, we included, are forecasting a greater increase in their own sales than for the industry as a whole. If manufacturers generally are setting production levels on this basis, the danger of overproduction still exists. Maytag's production organization is able to respond, almost from week to week, to fluctuating levels of demand, thus guarding against overproduction or the equally grave sin of underproduction.

Perhaps it is too early to see a trend, but there are some indications that dealer margins have been advancing somewhat, especially in those areas where they have been paper-thin for the past few years. It seems to me that if times are getting better and if margins have been too lean because of recession pressures, isn't this the time for dealers to move in the direction of healthier margins? If they don't move ahead in good times, when can they? National recommended list prices must be established by the manufacturer so as to provide an adequate profit margin for the low-volume dealer. The high-volume dealer will be able to sell at less and still make a profit. However, putting some meat on cut-to-the-bone selling prices, it seems to me, will not only help the dealer's profit margin, but help restore customer confidence in appliance pricing.

I believe there is a certain danger to the dealer in looking to the manufacturer for too much help in performing the functions that traditionally have been allocated to the retailer to perform. It is axiomatic in our economy that whoever would reap a profit must contribute to the value of the product being sold. To whatever extent the retailer defaults the performance of his functions to the manufacturer, he must also lose his independence and freedom of action to that degree. However, there are areas where the manufacturer can and should provide assistance to the dealer. Other than providing a quality product, as service-free as it can be, priced to allow an adequate margin, the most important assistance the manufacturer can render is perhaps in the area of training. It is up to the manufacturer to train the dealer thoroughly in the sales features and servicing of his products. It also behooves the dealer to take every advantage of such training offered.

We believe the place to start with service problems is at the time of manufacture. As specialists, our goal is to produce a product that will need no major repair for 10 years. This is the best way to solve the service problem; build a product that does not need to be serviced. We haven't accomplished this as yet, but we are well on the way.

THOMAS F. McCARTHY

President, Austin, Nichols & Co.

The predictions I made in these columns last year were pretty obvious at the time and worked out substantially as indicated. Actually, the industry weathered the recession somewhat better than expected. The adoption of the 20-year bonding period by the Treasury Department was, in my opinion, a realistic and progressive step. Changing the force-out period from eight to 20 years relieves the industry of serious economic pressure because the $10.50 per gallon will not have to be paid on all whiskey as soon as it reaches eight years. Under the old law whiskey had to be tax paid when it became eight years old. Authoritative sources say that whiskey reaches its peak quality in eight years of aging so there is a valid reason for storing it for this period. The change now allows it to remain in bond for 20 years and it is inconceivable, with the bonding period increased to 20 years, there would be any danger of a peak load reaching the force-out period at the same time. This move should help stabilize the industry and I am sure we well all benefit by it. A great deal of credit is due one of the big distillers who worked very hard toward this end.

Thomas F. McCarthy

This fantastically high tax of $10.50 per gallon is still with us. Because of the high defense spending, and regardless of any real or fancied economy program on the part of the Administration or Congress, there appears to be little chance of it being reduced during 1959. It is this $10.50 per gallon tax, or over seven times the cost of production, which has caused the steady and uninterrupted rise in bootlegging over the last 10 years. Bootlegging is still growing and is taking an estimated 20% to 30% bite out of the total amount of liquor sold The bootlegger is still cheating the government and the taxpayer out of a half billion dollars a year.

It is difficult to understand why the Federal Government has not yet seen the logic of investing another few million dollars to enlarge the group of enforcement men and thus recapture a substantial portion of this enormous loss in revenue.

The consumption of straight whiskies will probably increase somewhat further, but will not overtake spirit blends in the foreseeable future. Spirit blends are still the most popular type of alcoholic beverage. Sales of vodka appear to have leveled off. The indications are that Scotch whisky will again mark up an increase although the shortage in various brands has been considerably alleviated.

Cognac sales seem to have leveled off. At this writing it is not expected that the devaluation of the franc will lower the price of champagne or other French products.

We believe that the industry's policy of promoting moderation is becoming more and more effective. Our public relations, research and educational programs aim at achieving true temperance as against overindulgence on the one hand and total abstinence on the other.

As a consequence, the vast majority of Americans have a sensible approach to the consumption of alcoholic beverages and it is no longer considered smart to drink too much or too often, as was the case before repeal. Today 60,000,000 adults consume alcoholic beverages in moderation. Per capita consumption has not increased and it is apparent that more people are drinking less today than at any previous time in our nation's history.

Nevertheless, if the economists are right and 1959 is a better year than 1958, the wine and spirits industry should have a better year also.

J. R. MacDONALD

Chairman of the Board and President, General Cable Corporation

Contrary to the hopes which were held at the beginning of the year, 1958 proved to be a disappointing one for the wire and cable industry. The decline in volume and the lowering of the price levels of its products, which were at a very low point at the end of 1957, continued into 1958.

J. R. MacDonald

The decline in volume which was due in some considerable part to the liquidation and realignment of consumers' inventories of wire and cable products continued during the early part of 1958, but there was some improvement in demand beginning in the second quarter which continued to a limited degree over the balance of the year. For the year as a whole the physical volume of business, at least insofar as our company was concerned, did not compare too unfavorably with 1957, but this might not hold true with respect to companies whose business was confined to specialized lines of product and limited consumer outlets. This was not the case, however, as concerns dollar volume and profits.

Although perhaps not generally recognized, the wire and cable industry is made up of a substantial number of companies—some small which produce a single item or a few simple products and others relatively large which produce many and diversified product lines. During the extended period of shortages which preceded the 1957 recession, the industry built up a productive capacity in excess of that required to satisfy the need for its products. Hence, under the structure of the industry which I have mentioned, when demand falls off the business which normally is highly competitive becomes extremely so and the price structure rapidly deteriorates. This condition brought about the substantial decline in the volume of dollar sales which took place in 1958 and, coupled with increases in both labor and other costs which could not be compensated for by the adjustment of selling prices, resulted in considerably reduced earnings for the year. The deterioration in prices continued until around the middle of the year when some signs of a reversal of the trend began to appear and some improvement has continued since that time.

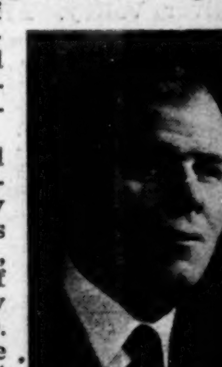
The degree of activity and hence to a considerable degree the economic position of the wire and cable industry is largely dependent upon the state of the economy of the country generally. Its products are used in practically every branch of industry — home and industrial and commercial construction; all types of appliances; automobiles; machinery, motors and power tools; railroads; mining; electronics; the rapidly developing missile program; etc., etc. Two of the largest outlets for its products are the electric power utility industry and the communications industry, the activity in which is dependent to a considerable extent upon the activity in the other fields of industry which I have mentioned.

Although subject in some cases to certain qualifications, it appears to be the prevalent opinion of business leaders and economists generally that the overall economy of the country will reflect a marked gain in activity in 1959. Under these conditions and looking forward to a continuation of the trend toward a better price structure in the industry, I venture to predict that 1959 will show a slow but steady improvement over 1958.

JOHN E. McKEEN

President and Chairman of the Board, Chas. Pfizer & Co., Inc.

U. S. pharmaceutical firms have entered 1959 optimistic about rising sales but the increase in profit margins may not be in the same proportion because of stiff competition and higher operating costs. Among the factors expected to spur the growth of pharmaceutical sales are the expanding world population with increased purchasing power, new research discoveries, and the wider use of chemicals in agriculture and industry.



John E. McKeen

Last year, drug firms reported increased sales, although some segments of U. S. industry were hit by the recession. For example, Pfizer's 1958 sales reached an all time high, about 5% over our 1957 total of $207 million. Pfizer's goal is "260 by 60," $260 million in sales by 1960.

However, increased sales will be the result of more goods sold—not higher prices—because highly competitive conditions within the industry rule out any likelihood of major price rises. The cost of raw materials, transportation, labor, and construction will continue to rise this year, thus creating a tough "price-cost" squeeze for producers and indirectly upping the cost of the industry's expansion programs. Investment in new plant facilities and research labora-

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tories will probably be stepped up this year by drug and chemical firms despite the higher cost of construction.

This year, U. S. pharmaceutical and chemical companies will continue their programs of spending large sums of money on research and product development. Pfizer last year spent $12 million in this area and this year we plan to spend even more.

These larger expenditures on research are necessary if the pharmaceutical producers are to continue to make new and improved pharmaceuticals available to the medical profession. For example, we at Pfizer spent more than $1 million before we could market just one drug: Diabinese, our company's new oral drug for diabetes. This was the cost for the laboratory and clinical tests involving one million patient days of therapy for several thousand diabetic patients in all parts of the world.

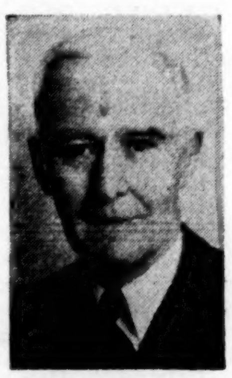
Equally important for the long run will be developments outside the industry's U. S. markets. The year 1959 will be another crucial one in the battle for economic and political supremacy between the free world and Russia. Increasingly free currencies and higher standards of living in the western world should not lull American industry into a false sense of security. Soviet trade warfare, which includes the export of pharmaceutical products even though Russia and countries within the Soviet bloc have insufficient medicinal products for their own people, will continue to attract underdeveloped and uncommitted nations to the Soviet system.

More and more active participation by U. S. private industry to aid in the economic growth of other countries will be essential to avoid handing victory to the Soviet by default. For maximum effectiveness, this participation must have the full support of additional government measures beyond those now available to help the export of American techniques, knowhow and capital investments.

ARTHUR E. McLEAN

President, The Commercial National Bank, Little Rock, Ark.

As we move further into the new year of 1959, all signs seem to point to a further recovery of the economy. With a growing population there is and and will be an increasing demand for both goods and services and we can have prosperity if sanity prevails, but if we are to stay out of trouble, the national budget must be balanced and inflation must be halted. An unstable dollar, a constantly increasing cost of living, with its destruction of the peoples savings can never bring a permanent prosperity or economic security to this or any other nation. A way must be found to keep labor from using the strike weapon to force constantly higher wages when there is no increased productivity. Competition and anti-trust laws can keep industry and business in line.



Arthur E. McLean

Other unfavorable factors, present, endangering our economic recovery, are a growing belief that stocks, real estate, or other tangibles are the only things offering financial security. Stock market and other actively traded stocks have in many cases been bid up to unrealistic prices measured by any former standard of value. New promotional stock offerings, highly speculative and optimistically priced, to say the least, are appearing in increasingly large numbers, and stocks of these companies having impressively selected names are being heavily bought by in experienced investors, hopeful that they will become wealthy in the years to come. Unhealthy speculation is again with us, call it investment if you like.

To me, these are danger signals on our horizon, a threat to an economic recovery in the months ahead. In addition to being optimistic, we can well afford to look, think, and listen.

ADRIAN O. McLELLAN

President, Merchants National Bank & Trust Co., Fargo, North Dakota

Business in our area has been generally good this past year. The area is dependent primarily on agriculture, and bumper crops prevailed in most areas of the Red River Valley. Livestock prices are holding up much better than was expected. As a result, both farmers and businessmen have been able to show good progress in reducing or eliminating indebtedness. Most banks have had a reduction in loans outstanding, while at the same time showing increased deposits.

Adrian O. McLellan

As a result of ths situation, most banks in this area are going into 1959 in a very healthy condition. Not only do the majority of our borrowers show improved statements, but the banks also have more funds available for loans, if they are needed. While it is too early to get an accurate survey of the loan demand for 1959, it does appear that it will be about the same as 1958.

Automobile and farm machinery sales appear to be improving over 1958. Both home and industrial building show strong indications of exceeding last year, and public road and highway construction will remain at a high level. Land prices are at a relatively high level and will perhaps reman so as farmers continue to seek to enlarge their farm units in an effort to make them more economical through the use of larger and more modern machinery.

Bank earnings will perhaps show very little if any improvement. Banks are paying out more interest on time money than they have in the past, and inflationary pressures are causing costs of operation to go up at a faster rate than the increase in gross earnings.

The cost of money, or the rate of interest paid by borrowers, has remained more stationary and has been less inflationary during the past quarter of a century than the cost of almost any other product or commodity that might be mentioned. Many borrowers are borrowing money at the same or maybe even a lesser rate than they paid many years ago. However, in this same period, many banks have doubled or tripled the rate that they pay to their customers for time money. It would appear that this situation will continue in banking for some time to come, making it difficult for banks to build up their capital structures out of earnings. Under these conditions, those banks with the more capable management will be the most alert to make the necessary adjustments to assure proper financial service to the community they serve while still producing reasonable return to stockholders, while retaining a portion of earnings to build up capital to keep pace with loan demand.

H. V. McNAMARA

President, National Tea Co.

We look for a stable food price outlook in the year ahead, which should be good news for the consumers as we start out in 1959. Larger supplies of meat should result in meat prices either holding the line or becoming lower as the year proceeds. Coffee prices are weak, and further weakness in this important commodity is anticipated. The hope that last year's freezing temperatures in the South will not be repeated this year to the detriment of fruit and vegetable shipments from the Southeastern states should further reduce the cost of living as applied to foods, by resulting in lower prices for important fresh fruit and vegetable items as well as frozen concentrated juice and other important commodities from Florida as well as neighboring states in the Southeastern section.

H. V. McNamara

From a sales standpoint we at National Tea Co. believe that 1959 will be the best year for our company and the industry in general. 1959 will be our 60th Anniversary Year, and while we have some mightly tough figures to shoot at to surpass our record year of 1958, our organization is keyed to doing the selling and merchandising job, and I am confident that we can again come through with about a 10% to 15% increase over what is winding up to be our record year for 1958. At this writing, the last week of our 1958 calendar year, it appears that our total sales for 1958 will be approximately $790 million. This means that our increase for the year will be about 15% over 1957 for a total gain of approximately $110 million. When you look back and consider that our total sales for 1944, before the management change at National Tea Co., were less than $100 million, it is quite interesting to draw the comparison between total sales for that year and increased sales for 1958. These are the results accomplished through intelligent operation of our entire management team, fair play and good dealing with our suppliers, and aggressive hard work in merchandising by our entire organization. I have said for some time, that our ultimate objective is to make National Tea Co. a billion dollar food chain, and while we may not reach this objective in 1959, our 60th Anniversary Year, I am still hopeful that we will come mighty close to this primary goal, which we have set for our company.

We do not expect the new year to be without problems. Our biggest problem that we will face in the year ahead will be intensified competition. Of course, you sometimes wonder how intense competition can become, but there is always room for more and more competitive ideas, which must be appraised for their value, and either ignored or combatted. We at National thrive on this kind of competition, and we're always ready for a good tough battle as long as all the cards are on the table, and competition conducts itself in a forthright manner. We do question, however, some of the practices that have been creeping in to the food industry during the last year or so, which are growing to the detriment of the super market industry as a whole. I refer primarily to selling below cost as well as other gimmicks and tricks of the trade, which narrow the already slim margins of the chain food business, which are currently running from 1% to 1½% of sales. We have always believed that good, clean, fair competition stops at the cost line, and from there on it is a competition of merchandising wits and operating policy gained after years of experience. It appears now that while 1958 will be reported as an all time record high in the food business insofar as sales volume is concerned, profits will not be commensurate with the sales rise. I am hopeful that after the industry gets its report on earnings for 1958, and finds that the tremendous increase in the food business brought little rewards, if any, in more profit, operators might merchandise with a little more intelligence in 1959, so that the industry can make a fair profit to assure continued steady growth and improved facilities for the consumers in the future. By a fair profit I mean approximately 1½% of retail sales, which in our opinion, would be fair to everybody, competition, operators, shareholders and consumers alike.

In appraising the individual departments of today's super markets, we are looking for continued improvement in the important frozen food department more commensurate with our investment in frozen food handling and selling facilities. So far, the frozen food picture has been one of heavy investment in both equipment and floor space, and I am hopeful, as I am sure are many others in the business, of further increases in frozen food sales to justify our belief in the future of this very important commodity. I am sure that the biggest upsurge of frozen food sales will come from the convenience food items, such as prepared dinners, frozen pies, gourmet type items, and other convenience prepared foods, that will bring additional built-in maid service to the homemaker, encouraging her more and more to become interested in the frozen food departments.

There has been much comment on the growth of non-food items in the modern super market, but we do not look for too much growth in this department, at least insofar as our operations are concerned. We have enlarged our stores and expanded our facilities to provide 15,000 to 18,000 square feet of store facilities, with ample parking for the convenience of the customers. This is naturally going to accomodate and encourage some enlarged and expanding departments, but in our opinion there are a lot of other departments I would like to see improved before we become too interested in the so-called hard goods or soft goods in the non-foods lines. Ours is primarily a food business, and while we must continue to give attention towards scrutinizing all possibilities for increased sales and profits, I for one would not like to see our food business subjugated to non-food items, such as hardware, soft goods, gimmicks and all the other "whiz kids" of super marketing in recent years.

Now that most of the nation's food chains have fairly well agreed on the size of super markets necessary to best accomodate the customers, stores in the neighborhood of 15,000 to 18,000 square feet, there is considerable discussion of the return, by some operators, to the "bantam" size or superette type of food store. These "bantam" stores have received a lot of comment in the grocery trade circles, but as yet we have not seen any successful operations of this kind, and I, for one, am not inclined to believe that the superettes can absorb their overhead and show a profit without volume sales.

Contrary to the trend towards smaller, "bantam" super markets or superettes is the growth of shopping centers throughout the nation. We believe that shopping centers will continue to grow, and that becomes quite obvious, when you review plans already under way in America's major cities. Shopping centers are growing fast, perhaps too fast in some areas. There have been about 150 failures of shopping centers, by failures I mean shopping centers that have not paid off to their investors, although they might not be failures insofar as the consumer is concerned.

We are becoming exceedingly cautious in this direction to be sure there is sufficient population in the trading area of the proposed centers to support the entire project, other retail stores as well as our own, because we have found, to be successful, our neighbors must be successful too. We are likewise looking at new proposed centers from the competitive angle, to be reasonably sure the location is not too close to another shopping center, and that it is likely to endure for a number of years without competitive centers growing up in the same trading area, creating obsolescence in advance of the anticipated life of the center.

We are looking forward with great optimism and confidence for another record year in 1959. We in the food industry set the pattern for leadership of all business in 1958, contrary to many of the prophets of gloom and doom. The super market industry has gained too much momentum to stop or even pause in the year ahead. Consumers have regained their confidence in the economy and are ready to spend and have the money to spend.

Ours is an optimistic outlook for 1959.

CARL R. MEGOWEN

President, Owens-Illinois Glass Company

Shipments of glass bottles and jars in 1959 will exceed the normal yearly increase with a more than 5% growth over the 20 billion units shipped in each of the past two years. The glass container, carrier of staples and luxuries alike, kept pace in 1958 with the record shipments of 1957 despite a dipping economy for a major portion of the year. With the long-range growth trend expected to continue, glass container shipments should exceed 45 billion units by 1975.

Carl R. Megowen

The packaging revolution still under way in the U. S. will keep pace with the trend to self-service in all types of retailing. The new self-service convenience packaging trends are moving in fast to revamp whole departments, entire stores, complete chains and whole distribution systems.

The packaging industry is truly a business phenomenon. A look at shipment totals of any major packaging material reveals that each shows an average growth of about 5% annually.

Of this increase for glass containers, about 1½% is credited to population increase, the same percentage to increased buying power, and the remaining 2% to new

developments in the continuing program to produce the best possible package for any given product.

Among the developments during 1958 by Owens-Illinois was a new concept of the no-deposit, non-returnable beer bottle. Already in use by several brewers, the new bottle is about 1½ inches shorter than the present "one-way" bottle and is an ounce lighter. It is just as strong as the older bottle.

These new bottles are but one example of the packaging industry's byword—"convenience." Not only can the consumer dispose of the empty after use, but the new design takes less room on the refrigerator shelf—and savings in space and freight costs are shared by the brewer, wholesaler and retailer.

In keeping with its optimism about the future of the glass container, Owens-Illinois put three additional glass container plants into operation during 1958. The company opened the nation's most modern glass container plant in Atlanta, Ga., last January and followed several months later with its first two foreign plants, one near Havana and the other at Valencia, Venezuela.

The glass container will continue to grow in popularity for a number of reasons. For one thing there is no foreseeable shortage of the basic raw materials of glass—sand, soda ash and lime—because they are almost as plentiful as the ground we walk on. The economy of the glass container permits the public to have many inexpensive—but certainly necessary—products it uses every day.

Glass' main appeal to the food packer, the bottler or the drug, cosmetic or chemical concern, however, is simply that the public likes to buy in glass. Consumers can see what they buy and can tell at a glance when they need to buy more. Glass is good-looking, adaptable, and is a good salesman of the products it takes to market. Further, the consumer knows glass is chemically inert and that food and other products can be taken with confidence directly from the clean, protected lip of any bottle or jar.

RICHARD M. MOCK

President, Lear, Incorporated

The airborne equipment industry should have a moderately rising total dollar market for its output during 1959 and for some years to come.

Military fiscal experts reportedly anticipate the same or a slight increase in total expenditures. The complexity of missiles, space vehicles, and hypersonic airplanes portends a larger percentage of the unit cost going into highly sophisticated controls and instruments, which should benefit Lear, a 29-year-old pioneer in airborne equipment. However, the increased costs of these advanced projects are causing cutbacks in more conventional craft in order to hold the budget line as much as possible.


Richard M. Mock

While total expenditures for aircraft, spacecraft, and missiles may well move generally upward, the fortunes of individual companies likely will vary widely in the years to come as certain major projects gain favor and others are rejected. Lear supplies a wide variety of precision control systems and electro-mechanical equipment for most of the manned airplanes scheduled to continue in production and for a number of missiles. Also, we have in advanced development a three-gyro platform for a high-priority anti-missile missile. Thus, Lear has a diversity of both products and customers which lessen its dependence on any one major project. Indicating its flexibility to change with the times, only about 10% of the company military products were for other uses than manned aircraft at the beginning of 1958, while currently 50% is for such end uses as missiles, drones, and helicopters.

The business climate has improved for defense contractors since the autumn of 1957 when many were severely hit by the government austerity program, which came so suddenly that the companies had little time to readjust their organizations. The government's future defense program seems more carefully planned, and thus will provide the climate for orderly operations by defense contractors.

In the civilian aircraft market, greater speeds and more crowded conditions of the airways necessitate the introduction of highly refined navigation and communication equipment. Since 1935 Lear has been a leading manufacturer of radio navigation and communications instruments for private and business aircraft, and recently we have expanded this product line into the commercial aircraft field. In addition, wide military acceptance of our skills in automatic flight controls, such as autopilots, has provided a basis for the sale of automatic pilots and stability augmenters for private and transport airplanes. For example, Lear autopilots are installed on the Sud Caravelle jet airliner, the Lockheed JetStar transport, and on Piedmont Airlines' fleet of Fairchild F-27 turbo-prop airliners.

The year-end backlog was about $72 million, up somewhat from a year ago and well in excess of 1958 sales volume. We have undertaken a major facilities modernization program and have increased employment among key personnel.

To summarize, Lear has the industry position and the diversification of products and customers to advance in the rapidly changing but gradually growing market for airborne equipment.

RICHARD S. MORSE

President, National Research Corporation

Our business is closely associated with the new technologies now pushing ahead so fast in this country. As manufacturers of industrial high vacuum equipment and rare metals we anticipate steady growth in sales volume in 1959, sparked by renewed capital buying in the steel and metallurgical industries and by the very large increase in missile and "space" activities by the government.


R. S. Morse

I think few of us appreciate fully the impact the sudden jump into space by this country will have not only on the economy itself but more particularly on the growth of new commercial processes and products stemming from these various research programs. Already terms which were science-fiction a year or so ago represent business volume of millions of dollars in several lines today. They will continue to grow as long as we are devoting $6 to $8 billion a year or more to the space and missile field—more than half the size of the automobile manufacturing industry.

By the end of 1959 some of the processes already developed or under way for missiles and space vehicles will have been applied to civilian products which will mean even broader growth in many of these new technologies. We believe that our activities in high vacuum equipment, rare metals and coating will follow this trend and share in the accompanying growth.

EDWIN H. MOSLER, JR.

President, The Mosler Safe Co.

It is my considered opinion that our sales in 1959 will be as good or better than 1958, which was a fine sales year for our company. However, countering this sales optimism is the feeling that profits will probably be down. Costs appear to be in a rising spiral. Yet we will make every effort not to raise our prices—thus applying a squeeze to profits.


Edwin H. Mosler, Jr.

Most major companies in our industry made acquisitions this past year. They will be busy integrating these and making them productive. Here again, volume should increase but profits will be caught in adjustment expenditures.

A similar situation obtains with the introduction of new products which are constantly being developed to meet the demands of point-of-use record protection. These new products will continue the trend towards modern and more functional design in the general area of protective housing for the many comparatively new record-keeping systems.

Our industry has been one of the beneficiaries of the movement to the suburbs. With the increase in suburban residential and shopping areas has come the need for branch banking. We look for this bank building trend to continue in 1959—a circumstance that justifies optimism in our bank sales division.

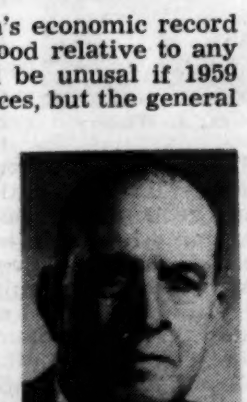
The steady increase in automobile ownership with the attendant universal parking problem has also accrued to the advantage of our bank department by increasing the popularity of the drive-in window. Recently after a comprehensive field survey and engineering analysis, we introduced a redesigned window. Its early acceptance indicates increased sales ahead.

In summation, I see good sales volume for 1959 with profits down slightly from the combined effects of increased labor costs, integration of business acquisitions, and introduction of new products.

ELLSWORTH MOSER

President, The United States National Bank of Omaha, Nebraska

By almost every measure, Nebraska's economic record for 1958 will surpass 1957 and look good relative to any other state and the nation. It would be unusal if 1959 would register such spectacular advances, but the general prosperity of 1958 should continue in the calendar year ahead.


Ellsworth Moser

Agriculture led the upward surge in 1958. Nebraska crop production set an all-time high, topping the previous record in 1957 by 19%. The two fabulous crop years of 1957 and 1958 were more dramatic as they followed two years of choking drouth. The abundant feed supplies sparked a substantial increase in livestock production and feeding, which has been coupled with an upward price trend. Reflecting Nebraska's flourishing agriculture, farm income zoomed to the highest peak in years.

On the business front, Nebraska kept looking for the recession in 1958 . . . but monthly indicators were consistently above year ago levels. The wave of prosperity sweeping agriculture was the sustaining force in the resistance to recession and led the way to new highs in business activity.

Retail sales particularly reflected the effect of the bright farm picture. Nebraska showed a 7% increase for the first 10 months of 1958 as compared to 1957 . . . rural areas doing better than the larger cities. All lines of business had a good year for the state as a whole. Omaha echoed the gains . . . retail sales were 4% higher in 1958 than 1957 . . . wholesale sales up more than 5%.

Construction volume also added to Nebraska's good showing in 1958. The dollar value of building permits in Omaha was up 23% over 1957 . . . an all-time peak. The faster tempo was spread over home, commercial and industrial building, schools, utilities, hospitals, and municipal developments . . . all created by growth factors and increased income. Nineteen fifty-nine promises to be as good or better, and scheduled highway and defense works will add further to construction spending in the area.

Gains for other business indicators . . . less spectacular but equally significant . . . attested to economic health and expansion. Bank debits in Omaha were more than 6% higher in 1958 than 1957 . . . the value of manufactured products up over 6%. For the fourth straight year, Omaha continued as the world's largest livestock market and meat-packing center.

Looking ahead, it is unlikely that the several cumulative factors favorably affecting 1958 farm income will again be duplicated in 1959. Thus, some reduction could be in prospect. But Nebraska's agricultural economy is in a strong financial position as a result of two good years. On-the-farm inventories of feed and livestock are large, and with a continuation of good livestock prices and favorable weather, the state's farmers and ranchers should remain prosperous with strong purchasing power.

So 1959 should be a good year for Nebraska. But the state's economy remains linked to the fortunes of agriculture even with increasing industrial development, and business will react accordingly in 1959.

HENRY J. MUESSEN

President and Chairman of the Board, Piel Bros.

The coming year for business generally should be one which will be transitional in nature and possibilities are strong for some stabilization slightly above present levels. Certainly qualified optimism is in prospect as an expected record-high consumer income level is balanced by the ever-present spectre of inflation and rising costs. The beer industry being closely identified with the general economy should parallel it in a rather steady, measured growth.


H. J. Muessen

In recent years, however, while the trend for business in general has been upward, the brewing industry has been faced with a squeeze on profits and a drop in per-capita consumption that has resulted in fewer and fewer breweries. 1959 will continue to see the demise of those in the industry unequipped to withstand the fierce competition. unrealistic labor demands can hasten this attrition. A factor contributing to the decline in per-capita consumption has been the large number of young people just below their majority and increased longevity in the older generation.

It is an established fact that the wellspring of economic growth in the brewing industry lies mainly in the 21 to 49 age group. As this large group of younger people mature in the near future, the weight of their numbers should act to reverse the per-capita consumption downward trend and also add to the number of beer consumers.

Despite this "windfall" it would be the height of folly to assume it will prove a cure-all. Alert, progressive leadership is needed in the brewing industry with particular emphasis on a creative hard-hitting marketing concept that will develop more consumers for our products.

While profit margins in industry generally may ease upward slightly, this will not be true for most brewers. Indeed, increased efficiency, modernization, and tighter control, together with increased sales, will be necessary to maintain profits for most brewers.

The coming year for this firm and other sound organizations will be one where momentum is gathered for future new economic attainments. The history of Piel Bros. has been one of almost uninterrupted growth. Nothing I can see in the future changes the direction of that chronicle.

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EDWIN P. NEILAN

President, Bank of Delaware, Wilmington, Del.

Barring a major war, 1959 appears to be a year of gradual improvement for business. The conflict within the Federal Government as to the amount of spending for the 1960 budget provides one major national uncertainty. A liberal Congress, dedicated to high expenditures, is viewing the approximate balance in the budget, estimated by the Administration, with derision. Even though the withdrawal of gold by foreign nations causes some apprehension about the future soundness of the dollar, its significance appears to be misunderstood by the democratic majority. Employment will probably remain at levels embarrassing to the advocates of the full employment policy, but this high level of unemployment is necessary if costs are to be kept within the competitive pricing needs of our business enterprise. Once again it seems pertinent to point out that high wages in the automobile industry have priced its product at too high a level to assure maximum sales. Automobile producers face the same problem which the soft coal industry found impossible to solve except within a diminishing market.

Edwin P. Neilan

Satellites and their related rocket experiments are costing our nation an excessive amount, not only within the military, but in the political creation of a civilian space agency duplicating still further the research and experimentation. Solid, but small, minorities continue to push spending demands which in the aggregate could well cause an increasing flight from the dollar by those able to shift basis in an attempt to avoid the losses brought on by accelerated inflation.

Banking, which has overcome the strains of a sharp reduction in business activity, followed by an equally sharp recovery, has not yet felt the loan impact of either inventory accumulation or high activity in essential industry. The sharp increase in Government bond prices in early 1958 and the abrupt decline of mid-year have impaired liquidity slightly but the start of 1959 should see this liquidity restored by loss transactions designed to place Government bond inventories at present market as cost and to provide for current loans.

Delaware is faced with the same problems as the nation as a whole in that the state has spent more than current taxes provide in the way of revenue. Modification of the current tax structure, with some additional taxes, appears essential to achieve balanced budgets. There are still a number of national companies considering Delaware as a site for future operations. The construction industry is particularly well fortified with a great deal of highway and commercial work in prospect as well as a continuing high level of housing development. Consumer purchases were particularly satisfactory as 1958 came to a close and Delaware merchants are optimistic about 1959. Considering the impact of unemployment during much of 1958, consumer credit is in excellent condition. Both business and consumer loans seem destined to grow somewhat during 1959 and there is optimism in almost every segment of the Delaware economy except that connected with the broiler industry where continuing low prices seem to be the accepted expectancy for much of the coming year.

On the whole, the Delaware area will probably exceed the 1958 levels of activity by about five to six per cent in 1959.

WALTER C. NELSON

President, Mortgage Bankers Association of America And President, Eberhardt Company

One economic forecast that can be made for 1959 with as much assurance of being right as almost any other is the prediction that the year will be one of the best in this generation for buying a home, since the various factors which will influence it will be in better balance and, individually, more attractive than in many years.

Walter C. Nelson

Since a home is the most important investment most people ever make, the availability of financing, the attractive terms and the product builders will have to offer all combine to present appealing home-buying opportunities in 1959.

Based upon Association research, about $20 billion will go for new homes of all kinds in 1959 and it may well prove to be the record year in total construction expenditures of all kinds.

Total home starts will be in the neighborhood of 1,200,000, higher than the anticipated final total for 1958, with single-family starts about on a par with this year but apartment construction showing a sharp upturn, probably accounting for as many as 200,000 units.

The money to finance what is shaping up as an excellent year in construction will be readily available. The funds to finance the mortgage lending industry—largest user of new capital in the country—after repayments, will be in the neighborhood of $15 billion, or only about one billion less than in the previous record year.

The conventional type mortgage—the loan neither insured nor guaranteed by a federal agency—will be in more demand in 1959 with the FHA insured loan maintaining about the pace of the present time. The weakest factor in 1959 home buying and home building is the VA mortgage whose interest rate is artificially controlled at 4¾%, so far below the general market level that it seems sure to be even less attractive than it is now. In fact, if this rigid controlled rate remains, the VA loan will be no factor at all in 1959 home building.

All lenders are likely to be active mortgage investors in 1959 with life insurance companies particularly so, partly because of their large volume of forward commitments outstanding and partly because the net yield from mortgages will be attractive to them when compared with the return from other investment media.

The big unknown in the housing and housing financing outlook is the possible legislation which may come from the new Congress. If it proves to be strongly on the spending side, credit will be easier than is now anticipated with, of course, a proportionately heavier burden on the Treasury which, in effect, means more inflation.

The most important single action the new Congress could take to insure an even flow of mortgage funds into the housing market would be to remove the artificial controls on FHA and VA interest rates.

CHARLES S. OFFER

President, Budget Finance Plan

The Consumer Finance Industry during the year 1958 has had a real test with respect to its ability to weather a recession. The economy of our country for as long as many people can remember has been on the upswing with more goods and services being purchased on credit, which to a great extent has stimulated the boom years. The year 1958 reflected a decline in credit purchases as well as an increase in delinquency, but the increase in delinquency was moderate industry-wise, as compared with the published figures of unemployment. This proves that credit grantors had foresight in the granting of credit and also that consumers placed a great value on credit standing. This resulted in the consumer controlling purchases so that he might pay obligations previously contracted. This, of course, had the effect of slowing down new purchases and decreasing the demand for new credit.

Charles S. Offer

As we enter into 1959, I feel that the consumer will continue to be cautious and more or less be like a snail emerging from his shell. With renewed confidence in his ability to meet obligations, the consumer's demand for credit will increase for the purchase of consumer goods, as well as to readjust previous obligations.

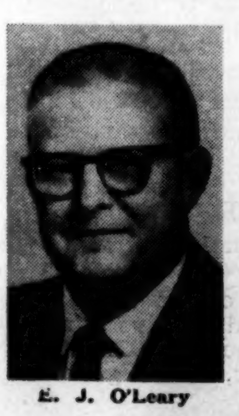
From the standpoint of our industry we are faced with the uncertainty of the cost of our product—money, and until such time as the Federal Reserve stabilizes discount rates, we will constantly be exposed to variances in cost that can materially affect earning projections. The indications are that money will remain about as tight as it presently is with no material change in rates, but of course, this can be effected either adversely or favorably by the attitude of the government in its financing program or by attempted control of inflation through selective credit controls.

1959 should prove to be one of greater productivity, greater spending, increase in employment, greater demand for credit and more prompt payments than that experienced in 1958.

E. J. O'LEARY

President, The Ruberoid Co.

Very recent business history warns that prediction of things to come should be made with extreme caution. But in spite of this experience, it seems safe to assume that the pattern of what can be expected for the building materials industry in 1959 was set in the latter part of 1958.



E. J. O'Leary

After an uncertain beginning last year, new residential building rose to the highest level reached in several years and stayed there to the end of the year. As the new year begins, available mortgage money, a genuinely effective demand for new homes and the momentum created by housing starts already underway or actively planned are certain to hold up the pace of new home building during the early part of the year.

Although the outlook for the second half is less clear, it is reasonable to note that new building tends to respond to general business conditions and these promise to be favorable. No one expects that 1959 will be a boom year, but businessmen and economists seem universally agreed that the nation's economy has definitely emerged from the 1958 recession and that almost every business indicator will continue to rise in the months ahead.

This rising level of business will inevitably stimulate industrial and commercial building and we can expect that residential building activity will readily respond to the existing demands of population growth, the rate of family formation and the pressures of our increasing standard of living.

Equally important for Ruberoid, is the likelihood that the need for materials for maintenance and repair of existing buildings will grow. There are more structures of all kinds in the country than ever before. All of these are growing older and all must be maintained. Consumer income is likely to be high in 1959. Consequently, building materials sales should be good.

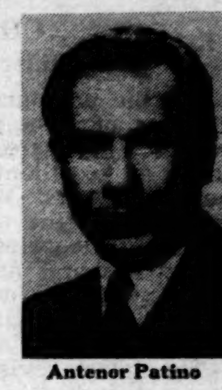
The one really troublesome concern of all business, however, is that even with the assurance of a larger sales volume there is no way of predicting whether the pressure of higher costs, coupled with increasingly severe competitive selling conditions, will allow the higher level of profits that normally should result.

ANTENOR PATINO

President, Patino Mines & Enterprises Consolidated Inc.

The year 1958 witnessed some remarkable changes in the fortunes of the tin world.

The International Tin Council had been obliged to introduce the control of exports from producing countries in December 1957 but due to the length of the pipeline between producers and the ultimate consumers, the effects of this move were not felt for much longer than was anticipated. Producers had also been called upon to make their third contribution to the Buffer Stock and subsequently in April 1958 a further contribution of an unspecified amount was made to a special fund.



Antenor Patino

Exports of tin were limited to 27,000 tons for the period December 15th, 1957—March 14th, 1958, which amounted to a 28.5% cut. Subsequently the control period was extended to 31st March, so that the restriction now became approximately 40%. This rate of restriction was maintained during control periods April 1st—June 30th and July 1st—September 30th, when exports were restricted to 23,000 tons in each control period.

These measures might have proved effective but for the appearance in Western Europe of considerable tonnages of Russian tin, together with the continued low rate of demand for the metal in the U.S. The London price remained stubbornly on the floor at between £730/731 per ton (91.25/91.375 cents/lb.) from January until September. The price was only held at this level by almost continuous buying by the Buffer Stock Manager from funds which were gradually being depleted. In March the Singapore price began to recover reaching £743 per ton (92.875 cents/lb.) as the effects of restriction were beginning to be felt in the East due to the shorter pipeline. Likewise, the price of Straits tin in New York began to rise, thereby reflecting a growing tightness for this grade of metal.

During March the London Metal Exchange had taken a step which has given rise to some controversy by registering Russian tin under class A. 1. (Minimum 99.75%). Russian tin of the requisite grade thereby became a good delivery against L.M.E. contracts. It was in 1957 that Russia began exporting tin in any quantity, reaching a total of 10,000 tons in that year and in 1958 it appears that her sales will have amounted to some 17,000 tons. In June the International Tin Council announced that Russia had been invited to become a producer participant under the Agreement but she declined to join except as an Observer. This was not acceptable to the other members but negotiations are still continuing in the hope that Russia will agree voluntarily to restrict her exports.

In July the Tin Council decided that for the control period Oct. 1-Dec. 31, the total permissible exports would be cut further to 20,000 tons, representing an overall cut of no less than 48% on a basic yearly tonnage of 153,000 tons. This rate of restriction was subsequently extended to cover the control period for the first quarter of 1959.

In spite of all the drastic steps that had been taken, on Thursday, Sept. 18, the London Metal Exchange temporarily suspended trading in tin when it became known that the Buffer Stock Manager had withdrawn his support of the cash price of £730 per ton (91.25 cents/lb.). Three weeks earlier on Aug. 30, the U. K. in collaboration with other European countries who were members of the International Tin Agreement, had restricted the imports of tin from the Sino Soviet bloc. This restriction amounted to 750 tons per quarter in the case of the U. K. but the step came too late to save the Buffer Stock Manager from running out of funds. The tin market closed at £642.10 - per ton (80.3125 cents/lb.) showing a fall of almost £90 per ton (11.25 cents/lb.).

Rather surprisingly, with the withdrawal of the support price, sentiment in the market improved so that by Oct. 1 the market was again at the £730 per ton (91.25 cents/lb.) level. It was generally realized that the steps taken by the Tin Council to restrict exports at an even higher rate and the quota restrictions on imports imposed by the Authorities must soon make themselves felt. By the end of December, the London price had, after rising to over £760 per ton (95.00 cents/lb.), fallen to about £750 per ton (93.75/lb.).

Looking ahead to 1959, if the rate of restriction of 48% were continued throughout the year output from producing members of the International Tin Agreement would be down to 80,000 tons per annum, together with about 12,000 tons from smaller producers and possibly about 17,000 tons from the Sino Soviet bloc. The resulting total of 109,000 tons must be compared with consumption for the free world estimated to amount to 137,000 tons in 1959. This is assuming U. S. consumption of about 50,000 tons compared with 54,400 tons in 1957 and probably 49,000 tons in 1958.

If these figures prove accurate and provided the rate of restriction remains unchanged, there will be an overall deficit of about 28,000 tons during 1959. This points

to the fact that the balance of consumers' requirements to the extent that these cannot be met by running down stocks, will have to come from the holdings of the Buffer Stock Manager. It is estimated that these holdings approximate fairly closely to the possible deficit of 28,000 tons so that it is probable that by the end of 1959 the Buffer Stock Manager will have liquidated a large part of his holdings in tin. It is therefore reasonable to assume that if demand continues at the estimated rate, steps will be taken during the year to reduce the rate of restriction at such a time as to bring exports into line with consumption by the beginning of 1960 if not somewhat earlier.

In conclusion, it seems probable that the price of tin will continue to rise in London to at least £781 (97.625 cents/lb.), which is the price at which the Buffer Stock Manager is authorized to commence selling.

CHARLES H. PERCY

President, Bell & Howell Company

For the photographic industry 1959 should be one of a series of good years. Although not immune to the economic climate, the photographic industry should show an excellent overall pattern of growth for the next ten years. With products that fall in both the essential and non-essential categories, the photographic industry shares an important characteristic of the food and other basic industries, in that its growth pattern follows that of population.


Charles H. Percy

The latest revision of population forecasts indicates that we have been overly conservative in our estimates. The total U. S. population is expected to increase another 100 million by 1980. Thus, for at least the next decade, the growing number of new families and rising birth rate should stimulate increased sales of cameras and related equipment. Since it is estimated that about 75% of all pictures and movies are of babies or children, the reason for this parallel trend is self-evident.

Combined with the population increase, the projected rise in per capita personal income over the next few years is extremely significant to the photographic industry. The increase in leisure time is another favorable factor.

Important in broadening the market for photographic products has been the imaginative engineering of new products that combine high quality and push-button operation. This trend will, without a doubt, continue to create a broader interest in photography.

In the essential category the growing use of photographic processes in industry and the increased need for audio-visual equipment as a teaching tool both in schools and industry should also contribute to long-range growth.

With regard to the near future, a conservative estimate for 1959 shows an 8% increase in photographic industry sales compared with a slight increase in 1958. In 1958, for the first time, these sales at the wholesale level will exceed a billion dollars. I expect that by 1960 they will reach a billion and a quarter. As with all industries, the continuing profit squeeze will make earnings gains harder to achieve than sales gains, but continued progress is being made in productivity increases. Understanding and cooperative labor relations within the industry are tremendously helpful in this regard.

For Bell & Howell the 1959 and long-term outlook is favorable and I estimate that our gains will continue to exceed those of the photographic industry as a whole.

C. H. PETERSON

President, U. S. Rubber Reclaiming Co., Inc.

The consumption of reclaimed rubber during the past year followed the declining trend of our national economy. However, certain marks of stability were noted that auger well for the future of this special elastomer. Even though both natural and synthetic rubbers were in generous oversupply for the past 12 months, neither could economically displace reclaimed rubber in many areas of rubber goods manufacture. Under pressure that can be wrought only by competition, rubber technologists seemed to rediscover that reclaimed rubber is not only a source of rubber hydrocarbon but a process aid as well.


C. H. Peterson

Generally speaking, reclaimed rubber offers both economy and quality to many rubber products. In addition, some of its singular properties, notably that it remains structurally stable at elevated temperatures tend to show that it can be used in other fields as a compounding material of significance. That reclaimed rubber remains unique in its rubber classification firmly establishes its future and undoubtedly prompted the action of most of the major reclaiming companies in reinvesting large amounts of capital in their operations over the past two years.

In 1957 the industry-sponsored Rubber Reclaimers Association instituted an educational program designed to foster a better understanding of the proper use of reclaimed rubber. During 1958 the program gained momentum under the guidance of an appointed educational committee and panel discussions were held before several technical society meetings. In 1959 the same panel forum will be available, as will a lecturer's service for such interested groups as colleges, technical societies, and customer employee groups.

By the end of 1958, the consumption of reclaimed rubber in the United States will approach a final figure of 246,000 long tons or 18% of all the new rubber used. For 1959 the upturn in general business conditions, particularly in the automotive trade, seems to justify a predicted consumption of at least 270,000 long tons for the year. With this prediction the reclaiming companies realize their product has been a significant factor in the economic stability of the rubber industry, and will continue, I am sure, the traditional philosophy of anticipating and meeting the demands of the expanding elastomer industry.

W. T. PIPER

President, Piper Aircraft Corporation

The makers of utility airplanes have enjoyed a prosperous year and are looking ahead to a still better business in 1959. The airplanes now being made have real utility, having more speed, more range, and greater carrying capacity than those produced a few years ago.


W. T. Piper

Not being tied to a schedule, the utility airplanes can go in any direction, at any time, and use thousands of airports, which for lack of size or load potential are not serviced by the commercial airlines. Corporation executives and other travelers are finding out how much easier and quicker a trip can be made by air than in any other way. The dispersal of industry and the reduction in the number of railroad trains are making a greater demand for longer distance transportation. The Armed Forces also are beginning to realize that they can use standard "off-the-shelf" planes to advantage and at a great saving. Airplanes are unequaled for long distance transportation, but their use for short trips has not been satisfactory due largely to the time needed for ground travel at each end of the flight. Little can be done to improve the condition in cities since the airports are large and expensive and must be located a long distance from the built-up area. Hundreds of millions have been spent to build airports for the larger places where the present-day airlines can operate safely, but practically nothing has been spent to furnish this transportation to the rural areas.

The universal use of the tricycle landing gear on airplanes has eliminated the necessity for multiple runways and has made it possible to build landing fields for these thousands of towns at a very low cost. A single runway 100 feet wide and a half mile long is all that is needed by some airplanes up to and including the light twins. These strips can be located close to the small communities or wherever someone may wish to go. The major expenditure will be the cost of the six acres of ground, and a few days work smoothing and seeding the surface will prepare the field for use. Since few planes will land there at first, a sod field will be satisfactory.

The first flight with a heavier than air machine was made only 55 years ago and developments to date have been phenomenal. The airlines have taken the bulk of the long distance travel away from the railroad, but the public, as a whole, is not using airplanes in comparison with the use of automobiles. The reason is obvious.

Our civilization is based on walking, which is excellent for short distances. Everybody makes short trips, but very few make long ones. The automobile furnishes this kind of travel, but to date the airplanes have not. The building of thousands of these inexpensive sod strips will make the use of the airplane for short trips feasible and they will approach the automobiles in usefulness and popularity. This new development assures the industry rapid growth.

ABE PLOUGH

President, Plough, Inc.

The year 1959 shows promise of being the best year in the history of the drug business, based upon a review of the current trends.

There are a number of factors on which we base this prediction. During 1959 the United States will add almost three million more people, and about 1.3 million will have reached age 65, making a total of more than 8% of the population in the over 65 bracket. Thus, the age pattern of the population continues to favor the extremes of the heavy drug consuming ages—the young and the elderly. Growth also continues to be stimulated by the broadened medical coverage in this country. The American people as a whole will have nearly 16 billion more dollars to spend after taxes in 1959 than in 1958, and during that time about 639,000 more households will be set up. This, in part at least, must benefit the drug industry. During 1959, the world population will be increased by a net gain of 50 million people which along with advancing standards of health and sanitation will benefit industry sales. The veterinary medicine field, also, should continue its present rate of growth.


Abe Plough

Total medical research expenditures are now at an annual rate of almost six times what they were at the close of World War II, having increased from $60 million to about $340 million in 1957. Discovery of therapeutic agents for heart disease, cancer, or mental illness are all areas where a breakthrough might take place. The impact on the drug industry of progress in these fields during the coming year is apparent.

Earnings in the drug industry should keep pace with the expected increase in sales. Traditionally, the drug industry has lower capital requirements and labor costs as a percentage of sales than do many other industries. While wages and advertising costs will tend to rise in 1959, the industry generally will be able to adjust prices where necessary. Dividend disbursements should reach new highs in 1959.

The drug industry as a whole has completed modern plants and distribution facilities in the post World War II period, and capital requirements should be adequately met by cash on hand. Outside financing, where necessary, will have the advantage of the current favorable investor attitude regarding drug industry securities.

During 1959 a sales increase of at least 5% should occur over the highs reached in the year past by the drug industry.

H. LADD PLUMLEY

President, State Mutual Life Assurance Company Of America, Worcester, Mass.

The insurance industry should continue to enjoy sales success and investment results in 1959. Insurance went along with most of the major areas of the American economy in its recovery from the recent recession but finished the past year with a slightly less over-all average sales figure than in 1957. Sales of life insurance in 1958 were about $65.5 billion. Individual life insurance had a 4% gain over the year before while group insurance was slightly off the previous record. Industrial insurance, the third and least sizable line of the insurance industry, will continue at about the same level as it did in 1957.


H. Ladd Plumley

It has been proven in the long history of American insurance that new sales do not fluctuate as much as the general economic situation in the nation. This is because insurance is by far the most popular form of private savings to the American people, and even in unfavorable times they will put aside a portion of their income for future security. The vigorous educational and promotional job of the industry plays an important role here.

We look to the 1959 economic picture to be good and for the economy to continued a slow but steady rise. This, of course, depends upon many pressure points on the national and international scene. The greatest danger to the insurance industry, as well as to every other element of American business, is inflation. The true value of insurance as a stable means of income and personal security suffers from the deflated value of the American dollar. This is particularly true in the tragic instances of persons who must live their retirement, or forced retirement, upon their savings and insurance dollars in an inflationary period. The insurance industry will use its many joint organizational groups to urge a balanced budget and reasonable government spending.

The income picture of life insurance companies (now numbering over 1,300) for 1958 and for 1959 is dependent to a great extent upon the uncertain status of Federal taxation. Congress has just finished hearings on the taxation of mutual and stock life insurance companies. The method of taxation for the past several years has been a "stop-gap" one and unsatisfactory both to Washington and to the companies. Many views were presented to the Mills Committee on the best method to tax insurance and there was a wide variance in these opinions. Whatever tax bill Congress may enact in 1959 it is hoped that due consideration will be given to the fact that insurance reserves are the largest source of long-term capital and that these funds are the creation of many thrift minded people who by this action are one of the chief foes of inflation.

Observers of the insurance industry will continue to see as many dramatic changes in 1959 as they did in 1958. Competition and research within the field is intense. Each company endeavors to provide a portfolio for the public which will represent the latest and the finest in personal and group security.

It is fairly certain that there will be a continued trend toward multiple line companies. Last year saw several mergers and affiliations between fire and life companies, both in stock and mutual operation. This is the result of a demand by the American public for more efficient and rapid service of their insurance needs, as well as a desire by insurance companies to offer as wide a line as possible in the most economical manner. "One-stop" selling of insurance used to be the province of a relatively few companies, but now there are more than 60 such "groups" offering, or preparing to offer, a multiple line sales portfolio. While there are a great many problems in multiple line organization, particularly in the differences in field force operation and underwrting procedure, the trend

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will continue to be strong in 1959 towards this method of insurance selling.

The public has heard much about the variable annuity, and in 1958 they watched several court battles develop around this topic. It is doubtful whether 1959 will see the finalization of the battle between the advocates and the opponents of the variable annuity. There is much to be said on both sides. The most encouraging aspect is that the industry is continually attempting to come up with solutions to the problem of the inflationary dollar in the American economy.

If the variable annuity is not a reality in 1959, the continued growth of "package" policies is certain. Those entrusted with the preparation of portfolios have done a remarkable job in offering policies and policy provisions which mean extensive protection of many types. In 1958 we saw the emergence of such insurance "firsts" as the family plan, guaranteed insurability and health insurance for the elderly. This trend will continue, and we look for more remarkable liberalizations of underwriting at approximately the same cost to the consumer.

The voluntary underwriting of sickness and accident insurance for older persons was but one of the many dramatic news events of the health insurance industry. This relatively new but progressive business has proved that the insurance industry can provide the answer to the needs of disability insurance for the American people. Insurance for the elderly was growing faster in 1958 than the elderly population rate. It would be a tragic occurrence if there was any further trend by the Federal Government in 1959 to attempt to move into this area of private enterprise.

There will be many other unusual and noteworthy trends in the coming year in the insurance industry. You will see the following movements within this major line of American business: more new company formations but at a lesser rate than before; increased recruiting and intensified training of field forces; increased promotion and advertising by the companies; continued sizable investments in the American economy by insurance firms with especial emphasis on mortgage loans; increased use of electronic equipment in home offices; and quality development in the vital area of estate planning and "Key man" insurance.

Americans had $493 billion of life insurance as the year opened. The Institute of Life Insurance estimates this will be raised to over $530 billion this year.

E. J. QUESTA

President, First National Bank of Nevada, Reno, Nevada

During 1958 almost every phase of Nevada's economy showed an upward trend over 1957. The only soft spot is the mining industry which, if it were not included in the 1957 comparison with 1958, the latter year would surpass every month of 1957. A direct comparison shows the following:


E. J. Questa

(a) **Tourist** business, a vital factor in Nevada's economy, is substantially ahead of 1957 and steadily increasing.

(b) **Construction** is up noticeably over the preceding year and the trend continues.

(c) **Retail and wholesale trade** held its own the first half of 1958, as compared with the previous year, and the second six months ran slightly ahead.

(d) **Unemployment** is up a small percentage but is accounted for by the strong immigration to Nevada. **Employment** continues on an even keel.

(e) **Agriculture and ranching,** so important to Nevada, are in a sound condition. Cattle prices are substantially higher in 1958 over 1957 and prices are firm.

(f) **Mining** has experienced its lowest ebb for a generation; however, the recent upturn in copper prices makes this picture a little brighter.

(g) **The Finances of the State of Nevada** are in excellent condition, with collections steadily exceeding expenditures.

(h) **Industrial activity,** while still small, continues percentage-wise to lead all the forty-nine states. Taking the 1947 to 1956 U. S. average increase in value added by manufacture, as an index to 100, the relative position of Nevada is 568; second is New Mexico—358; Utah—268; Arizona—262; and Florida—253, which further points out Nevada's strong industrial trend.

(i) **Personal income** has increased from a 1953 level of $462 million to $647 million in 1957, with a substantial gain forecast for 1958. For the past five years, Nevada has been among the top eight in per capita personal income and during three of the past five years, ranked No. 3.

(j) **In percentage population growth,** Nevada leads the nation; and a recent projection of this population growth shows the state's university increasing 250% in enrollment in the next ten years, which is an unusually accurate barometer.

Our bank with two-thirds of the total deposits of this state shows a 15% increase deposit-wise for 1958, which is considerably higher than the National average. Not only have deposits reached an all-time high but the same is true with loans and net operating income.

Economists expect this upward spiral of Nevada's economic trend to continue, and 1959 shows every indication of a record-breaking year economically.

JOHN G. POWERS

President, Prentice-Hall, Inc.

Steady recovery to new highs is the prospect for business in the year ahead—a welcome change after 1958, which was the toughest year in a decade for many firms. The 1959 comeback will be substantial in dollar totals, but a bit slower, percentage-wise, than our two previous postwar recoveries. With the possible exception of firms engaged in missiles and space research, no single industry will surge ahead spectacularly. But, for that very reason, we are working on the assumption that the broadly based 1959 upturn won't be a flash in the pan.


John G. Powers

Total national output by the end of the year will be about $480 billion, and headed for the half trillion mark early in 1960.

As book publishers, we expect total sales of books in 1959 to be close to $1¼ billion — setting their sixth straight record and topping '58s previous high by more than 10%. Unit sales volume won't climb as much—probably rising by 5-7% —but some price increases to meet increased costs will raise dollar income.

Book production, after falling by about 7% in '58 from '57, should recover by a bit less than that amount this new year. That's because inventorits in publishers' and dealers' hands are still fairly heavy.

Steady sales gains we expect will be due to rising school enrollments and high personal incomes, and to the higher average educational level of our population. We look for texts, expensive paperbacks, and juveniles to sell best. Business and tax service publications will continue to show steady gains. TV educational programs will undoubtedly spur sales of related nonfiction. And man's assault on space, plus advances in harnessing atomic power, will push sales of popular science works —also particularly among young readers.

New books and editions issued in '58—at about 13,000 titles—fell a shade below '57s figure. But they should number at least 13,500 next year.

Profits will climb substantially, although cost pressures—particularly postage and labor—will continue to plague the industry. Offsetting cost cuts in other areas and vigorous sales efforts will help raise margins.

F. L. RIGGIN, SR.

President, Mueller Brass Co.

We believe that 1959 will be a better year for all business than 1958. This is a broad view and does not apply to each individual industry, because some of them I feel will not share in the better business which we can now see in 1959. Our own company has great confidence in the future. We are planning an expansion program and are building a new mill which we do not expect to be finished before 1960. We do not believe that inflation can be stopped until there is a pause in the rate at which wages are being raised. Most managements have been intense for the past year and a half in cost reduction but there is a limit as to what can be accomplished in this direction, and what is accomplished cannot be offset by wage increases which represent greater outlay than the savings which have been made.


Fred L. Riggin, Sr.

Until we find some way to keep wages in line with productivity, we are going to have more inflation.

As for the demand for our products, we think this will increase steadily for some years in the future.

WILLIAM A. RAY

President, General Controls Co.

Prospects for the controls industry for 1959 are very favorable as the general economy appears to be gaining further strength after the recent downturn.

Running concurrently with improving business fortunes are stiffening wage demands, and thus higher labor costs for the performance of a wide variety of manual tasks. This creates a demand for automated equipment as corporations seek to preserve profit margins in order to finance further growth.


William A. Ray

Also, along with population gains, there is a strong tide running for higher and higher standards of living. This can only be provided by the greater efficiency of machinery replacing the time-consuming efforts of men. And, as has been the case generally since the dawn of the industrial revolution, the new equipment will create more jobs than it will eliminate. From a generally slow start in early 1958 business activity steadily accelerated, making the year a quite satisfactory one for General Controls in both sales and earnings.

This was achieved at General Controls by tightening up cost controls, generally sprucing up operations and materially broadening the company's product line. Thus, in a sense, the brief recession served a worthwhile purpose by bringing a return to sounder business practices. General Controls will be carrying this increased efficiency on a larger base of operations into an improved economy and corporate sales and earnings should benefit accordingly.

Throughout 1959, American industry will try to protect earnings from the spectre of runaway labor costs by investing heavily in automatic controls and automated equipment.

General Controls, with its broad line of quality products for home, industry and the military, stands to benefit from both the short and long range prospects for the industry.

To summarize, controls producers will have a receptive market among companies, which, strengthened by good earnings, will be trying to combat wage inflation while gearing to meet the demands for goods from a growing body of people who will want to maintain and increase their standard of living.

ARTHUR REIS, JR.

President, Robert Reis & Co.

The textile industry, including its men's wear segments, entertained some hopes at the start of the past year that it would benefit from the anticipated decrease in consumer hard goods expenditures. This hope, however, did not materialize, and our industry fully shared in the 1958 recession. Conservative inventory policies and conservative buying from ultimate consumer all the way back to yarn manufacturers, had a heavy impact. Mediocre business that characterized 1957 thus deteriorated further in early 1958.


Arthur Reis, Jr.

Fortunately as the Fall months of 1958 rolled around, the general industry-wide pickup was also shared in by the men's wear industry. This was finally capped by an excellent December. Cold weather from the Rocky Mountains East added further stimulus to brisk Christmas shopping.

As 1959 starts, the conservative inventory policies of the past year find the pipelines of supply low from one end to the other; a truly healthy condition! Furthermore, low inventories are combined with a higher level of consumer interest in soft goods than has existed for some time. Perhaps this is because prices have not gone up and values are outstanding. For example, the men's T-shirt that our Company manufactures retails at $1.25 currently. It is a better T-shirt than we offered five years ago as practically all fabric shrinkage has been eliminated. The price is still unchanged.

To sum up for 1959, volume in textiles and in men's wear should certainly increase. This is the answer to a much improved year. However, the intense competition that characterizes the industry will act as a deterrent on price increases and keep profits low per sales dollar. Final results for the year will depend on substantial volume increases. These appear attainable.

E. A. ROBERTS

President, The Fidelity Mutual Life Insurance Company

Nineteen Fifty-eight was another successful year for the Life Insurance Industry. Most of the yardsticks by which life insurance is measured—insurance in force, total assets, total investments, and payments to policyholders — indicated all - time highs. Industrial group insurance programs, reacting to the pressures from reduced business activity, showed a sales decline which largely accounted for total life insurance sales for the year being slightly below those of 1957. Ordinary life, representing over 70% of all sales, again had a record year.


E. A. Roberts

The third postwar recession which started in 1957 has shown every indication of recovery. Productivity has been rising rapidly. Federal Reserve policy has shifted towards restraint and the general expansion appears to be broadly based and well balanced. The recovery should continue steadily through 1959. The major threat presently is that the recovery will generate renewed inflationary problems.

Life insurance traditionally has been able to resist wide swings of the economy. The ability of the industry last year to counter the general trends of the recession gives promise of another successful year in 1959. Total sales in excess of $70 billion are estimated by the Institute of Life Insurance. The long-run growth potential for life insurance is excellent. In the next decade, new family formations and an ever-growing population will provide ample opportunities for life underwriters. The present insurance protection per individual and family remains low, and the standard of living has been increasing at a more rapid rate than the insurance needed to protect it. Life insurance has become recognized as an accepted means of estate building and a secure form of savings.

Nineteen Fifty-nine will be another intensively competitive year. Not only is there keen competition among the more than 1,300 life insurance companies, but also strong competition for the consumer's dollar from outside.

To meet this competition, creative merchandising methods are being introduced to combine with aggressive salesmanship of a sound product in assuring present and future growth. Life insurance must also compete in attracting better men into the field.

Since 1913, life insurance companies have been taxed on income by a succession of temporary schedules, none of which were particularly acceptable to either the Treasury or to the industry. Legislation this year should set a permanent schedule as the basis upon which the industry's income will be taxed. The life companies are anxious to pay their equitable share of the National tax bill, but presently are paying the highest rate among the nation's savings institutions.

Interest earnings on total investments in 1958 were up to 3.85% from 1957's 3.75%. This reflects the more favorable interest rates of recent years, together with the investment of new money and funds received from maturing holdings at attractive yields. Generally the available market rates were down slightly from 1957, but this was offset in large measure by commitments of funds for 1959 at more favorable rates. Increasingly, investment programs are being geared for longer periods, in some cases for several years in advance. Home construction in 1958 showed a recovery from the slowdown, but mortgage loans by the industry about equaled those of 1957. Mortgage loans should increase as construction starts continue upward in 1959. Other investment opportunities should also be good. Capital spending should continue at present levels, and the demand for power will sustain the utilities' need for funds. Various public work projects should result in a large number of municipal issues available.

The American family has indicated its desire for increased life insurance protection, even in a year of a general business recession. The industry's expanding ability to meet this need gives substance to the expectation of another successful year in 1959.

JOHN A. ROBINS

President, Fairmont Foods Company

As heavy users of a wide variety of both disposable and durable supplies, the economy of the dairy industry is directly affected by that of industry in general as well as the economy of agriculture. Although the largest single cost factor for the dairy industry is raw materials, profit margins, as for most food industries, are so small that relatively minor changes in any of the other cost elements can easily spell the difference between an ultimate net profit and an actual loss. Hence in appraising the outlook for the dairy industry for the coming year, we tend to look first at the economy as a whole.

John A. Robbins

Speaking in terms of all industry in the United States, it would appear that the most cogent economic consideration in 1959 is likely to be a significant degree of creeping inflation. The inevitable conclusion seems to be that we face slowly rising costs, both of labor and materials, which ultimately must be reflected in prices to the final user of our products.

Demand, meanwhile, appears to be strengthening with increasing employment in prospect. This means that consumers may be expected to buy freely. Recent reports of holiday spending bear out this conclusion. Under such conditions and in the absence of subsequent changes in outlook, indices of consumer buying should continue to advance slowly during the next few months.

Within the dairy field itself, probably the most important single consideration is the level of price supports established by the Federal Government for the basic dairy products. Although these levels are more of a political than economic consideration, announced governmental policies indicate that we may anticipate a relatively stable price level for primary dairy products ingredients. At least, all segments of the industry are likely to be equally affected by whatever changes in levels are forthcoming so that the effects, if any, would be on the general demand for our products.

In view of the highly competitive nature of the food field in general and the dairy field in particular, the prospect for increasing costs of labor, supplies, equipment and transportation, even with stable ingredient costs, will put continuing pressure on profit margins, except as offsetting economies can be effected. These conditions pose a serious threat of "profitless" prosperity in the absence of forceful action on the part of management.

This is not to say that the dairy industry is pessimistic about the outcome of 1959. As an industry, we do not expect revolutionary developments or miracle solutions to answer our problems. However, a number of areas hold some promise of providing some relief. Among these are further automation in production, greater efficiency in some parts of the distribution field, more efficient and revealing accounting methods, more economic packaging, and more effective merchandising and advertising. Major short-term improvement through increasing per capita usage seems to offer only limited possibilities, but substantial improvement in profit margins throughout the dairy industry can be realized in 1959 if individual companies will exercise restraint in competitive pricing practices. We see greater danger in unrealistic pricing of products as related to cost than we see in creeping inflation.

THOMAS ROBINS, JR.

Chairman, Hewitt-Robins Incorporated

In the United States there are approximately 1,000 companies engaged in the manufacture and sale of non-tire rubber products. These manufacturers will consume about 560,000 long tons of rubber in 1959, 37% of the country's total rubber consumption.

Thomas Robins, Jr.

The non-tire segment of the industry in recent years has been growing faster than the tire segment as a result of the development of many new products and the increasing popular demand for standard products such as conveyor belting, foam rubber, industrial hose, rubber footwear and floor covering.

Non-tire rubber manufacturers should enjoy good sales in the overseas market as well as at home in 1959. This is particularly true of the producers of heavy industrial goods—conveyor belting and industrial hose, which are being shipped in increasing volume to the underdeveloped countries of Southeast Asia, South America and Africa. One overseas project of special interest is a conveyor system which Hewitt-Robins is building in a remote jungle area 225 miles southwest of Calcutta, India. The conveyor system will bring iron ore from a mine atop a 2,600-foot mountain and bring it down to a railroad in the valley below for shipment to a new steel mill which is being erected as part of India's industrial modernization and expansion program. The belting for the conveyors will be more than four miles in length and will be manufactured in the Hewitt-Robins plant at Buffalo, New York.

Although the growth in our industry's sales has been most gratifying, the profit picture is disappointing. The intensive competition for the available business frequently drives selling prices down to a point where it is impossible to make a fair return on investment. This problem became particularly acute in the 1957-58 recession. It is to be hoped that the improvement in economic conditions predicted for 1959 will be accompanied by an improvement in our industry's pricing policies.

FRED A. ROFF, JR.

President, Colt's Patent Fire Arms Manufacturing Co., Inc.

I am pleased to submit my opinion as to the outlook for 1959 in the firearm's industry.

We expect dollar sale of firearms in the United States in 1959 to be ahead of 1958. The anticipated increase is expected to come from population growth, the continued increase in leisure time that stimulates all recreational industries, and the continuing improvement in economic conditions generally.

Fred A. Roff, Jr.

The prosperity of the domestic firearms industry as a whole, however, is quite doubtful. The industry is reasonably small in dollar and unit volume and is faced with a serious threat from surplus arms in the arsenals of the United States and European Governments. These surplus shoulder weapons and side arms are available in quantities that, on many items, exceed a full year's production of the entire industry. Consequently, if efforts to keep surplus weapons and low-tariff imports off the domestic market fail, American firearms manufacturers face dim prospects even though sales volume at consumer level is on the upturn.

CLINTON F. ROBINSON

President, The Carborundum Company

Abrasive and allied product sales in 1959 will show appreciable gains over 1958. Demands for these products in 1958 were down substantially, reflecting the sharply reduced level of operations in the automotive, steel, and the machinery industries, declining capital expenditures, and the sharp run-off of inventories in manufacturing.

Gen. C. F. Robinson

With the prospect of sizable recovery in the economy, particularly the durable goods industries, overall demand for most products of Carborundum will show continued growth and recovery. New and improved products by Carborundum held up well in 1958, acting as a sustaining force and cushioning the decline in other lines. Some of the newer products will be in a moderate transitional stage in 1959, and are (cautiously) not being counted on to reinforce overall sales to the same extent as in 1958. Internal improvements in employee relations, methods and systems, however, will definitely reduce some heretofore excessive costs and also provide better service in manufacturing, distribution, order processing, inventory control, warehousing and shipping, and perhaps a better share of total available markets.

In planning and programming company business for 1959 we have geared our thinking on a conservative basis. Sequence of analysis started in the fall with various industrial production and national economy forecasts which in terms of today's concensus contained a slight conservative bias. Further analysis relative to various product lines resulted in a somewhat lower than usual relationship of product sales to the external forecast. In this approach overplanning tended to be minimized without restricting flexibility and the capacity to cope with supplying higher demands which could easily occur in the current recovery phase over the course of the year; i.e., somewhat higher rates of industrial activity and, in turn, higher rates of customer inventory re-stocking. A similar conservative approach was taken relative to export demand.

The forecasted industrial activity levels and economic factors to which we have been gearing our sales prospects, of course, run into considerable detail. However, in terms of the broad economic indicators commonly referred to our forecast sums up to: A Gross National Product of approximately $465 billion, a Federal Reserve Board Production Index of 143-145, a Durable Goods Production Index of about 156, comprising about 5.6 million cars, about 108 million ingot tons of steel, and a moderate increasing pattern of machinery output.

W. A. ROMAIN

President, Sherman Products, Inc.

Nineteen fifty-nine will be the second best year in the history of the small construction equipment industry.

The World War II postwar period has seen the emergence of a new businessman—the small contractor who serves suburbia, equipped with a farm-type tractor on which is mounted a front-end loader and rear-attached power digger. This businessman with his versatile, mobile "rig" has replaced the old-time pick-and-shovel labor gang for any application requiring excavating or dirt removal.

William A. Romain

This postwar "baby" industry has mushroomed into a $150 million a year business because human-muscle power for earth-moving and material handling is no longer economical nor adequate to meet the postwar construction demands in residential, commercial, and industrial expansion.

Nineteen fifty-eight has seen the beginnings of an automotive-type of shakeout. In many respects the multitude of fringe-operating loader and digger manufacturers had a parallel in the automotive field 40 years ago when today's "Big Three" were more like a "Little 300."

Nineteen fifty-nine will see a further series of mergers and consolidations from which strong leaders will emerge and small inefficient producers will drop to the wayside.

Yesterday, the design of power shovels depended upon massive weights to meet strength and capacity requirements; today the technological developments in materials, hydraulics, and scientific design gives the buyer of construction equipment dollar-for-dollar more value than at any time in the past. And yet we are but on the threshold of even greater progress in harnessing nuclear and thermo forces now in the laboratory stage but which will be commercially feasible within the next decade.

Over-all new construction activity is predicted by most authorities to rise approximately 8% in 1959, but we at Sherman believe this figure is conservative, since our Industry's slowness in the last 18 months has created a backlog of construction equipment needs. Much equipment is past the normal "trade in" stage, and many contractors have been making one machine do the work of two, waiting only for an optimistic note in the country's economy.

The Federal road-building program will begin to gain real momentum in 1959—many months of land acquisition, planning and engineering are now behind us. The impact of this construction will hit its peak in the next several years.

A surge in the sale of small power diggers and construction equipment has been evidenced in the closing months of 1958, and will continue to accelerate in 1959.

MAURICE M. ROSEN

President, Progress Manufacturing Company, Inc.

The strong business recovery of the past nine months seems to have sufficient momentum to carry the American economy to a new peak in 1959. With a gross national product likely to exceed $470 billion this year all major industries can be expected to show more or less substantial gains over 1958 levels.

Maurice M. Rosen

The **Housing Industry** once again led the economic recovery. Housing starts have risen every month from the low annual rate of 915,000 in February and came close to 1,200,000 by the end of the year, the highest since 1955. The tightening in the capital market will probably make itself felt before long, but builders have already secured mortgage loan commitments to assure a high volume of residential construction in the early part of 1959. A gradual tapering off may set in as the year progresses. For the entire year I estimate that private housing starts should gain around 5% over 1958.

Our own industry, **Residential Lighting Fixtures**, always lags a few months behind housing starts because

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fixtures are installed when the house is about complete. Thus the outlook is excellent for the first half of 1959 and probably at least very good for the second half.

In addition, the lighting fixture industry should benefit from the cumulative effect of its own efforts and those of related industries to promote better lighting in the home. The trend toward a general upgrading in lighting will undoubtedly continue, not only in new construction but especially in the renovation and modernization of existing homes. For these reasons the residential lighting fixture industry should surpass the estimated 5% gain of housing: my estimate is a sales increase of 8% to 10% for our industry.

My own company, **Progress Manufacturing Company, Inc.**, is planning on a 20% to 25% gain in sales over 1958. This optimistic forecast is based partly on the introduction of a great many new items into our line and partly on the fact that our sales last year were reduced somewhat by an illegal work stoppage in two of our plants last October. I expect new highs in sales and earnings in 1959.

RAYMOND E. ROWLAND

President, Ralston Purina Company

Agriculture was a relatively bright spot in our national economy during 1958. While prices in some segments of agriculture sagged during parts of the year, on the whole agriculture held steadier than did most of business and industry.


Raymond E. Rowland

The year 1958 was a good one for Ralston Purina. All five major divisions of the company established record-breaking volume in sales and services. These are the Chow Division, the Ralston Division, Sanitation and Farm Supplies, Soybean Division and the Grain Merchandising Division.

Livestock and poultry feeders of the nation fed approximately 4¾ million tons of Purina Chows during 1958 in the production of meat, milk and eggs. Purina Dog Chow climbed to the top position in sales of dry dog foods in the United States.

During the last quarter of 1958 the broiler industry suffered from over-expansion and low prices. Unselfish business statesmanship will be needed in 1959 to restore health to the broiler business. Production must be cut back to bring it in balance with consumer markets.

Each new year brings its own problems, but we in Ralston Purina look to 1959 with confidence and enthusiasm. Our optimism lies in the opportunities we have to expand our volume of business. Abundant grain crops of 1958 are likely to influence feed prices favorably for the feeder. Low feed prices help make better feeding profits.

Our confidence in the future is shown by the fact that our company's capital expenditure budget for expansion during the year ahead is the largest in its history. Our newest and largest plant for the manufacture of Ralston cereals and Purina Dog Chow will commence operation at Cincinnati next summer. Several other new Chow mills are on the drawing board or under construction. Our dealer organization and distribution system are being modernized and strengthened day by day.

The continuing trend toward greater production efficiency on livestock and poultry farms offers expanding opportunities for the manufacturer of modern rations for livestock and poultry. We look for new Purina records to be set in 1959.

GERALD ROSENBERGER

President, Coro

Coro's combined sales for 1958 will set an all-time high, topping both 1957 and the previous record year of 1956. Expectations for 1959 are for an even greater sales increase, according to Gerald Rosenberger, President and Chairman of the Board.


G. E. Rosenberger

All Coro divisions, including its couturier jewelry subdivision, Vendome, are preparing for substantial increases.

Reports of excellent jewelry business in December indicate, Mr. Rosenberger stated, that stock inventories will be low, and that jewelry departments will be open for new-looking, exciting spring merchandise in depth.

In line with this boom in jewelry sales, Coro recently added 40,000 square feet to its Providence factory, the largest costume jewelry factory in the world. A new plant in Toronto, Canada, the most modern of its type, has just been completed to cope with the greatly increased demand for jewelry by Coro's Canadian accounts.

Coro is currently increasing manufacturing facilities in England to meet the tremendous rise in consumer demand from both England and the continent. This new plant of Coro's English subsidiary will be completed and in production by the fall of 1959.

Ready-to-wear and couture fashions — both in the United States and Europe—which set the silhouette pace for accessories, indicate that 1959 will be a banner year for jewelry to accent these understated fashions.

Pins will be very important—worn high for the new silhouette, while a trend for combining several pins should stimulate multiple sales. The new wide-away and scoop necklines of spring make the necklace a "must." Multiple-strand bibs, ropes, single-row necklaces and the Empire pendant necklaces will take top place in the new fashion picture. It is expected that, with hair fashions going up and exposing the ears, button earrings will become increasingly important. Bracelets will be a new big 1959 fashion because of extremely short sleeves. The single important bracelet, or an arm loaded with bracelets will be the fashion look for spring.

The overall importance of color in the coming fashion picture makes color in jewelry more important than ever. Coro's new jewelry colors have been specifically planned to blend with, or to accent the new season's ready-to-wear. A fresh, frosty iridescence marks the new import stones and beads. Unusual color combinations also make news in the jewelry field for 1959.

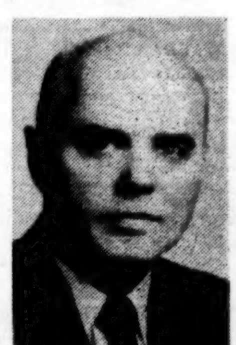
The changing fashions in 1958—the chemise, trapeze and incoming Empire—did much to stimulate the jewelry business. Pendettes, multiple-strand bibs and ropes were among the star sellers.

The Vendome division of Coro, which has just completed its second year, received tremendous store and consumer recognition and acceptance in 1958. Plans are now underway for greater sales in 1959. Sales and production facilities have just been enlarged and the sales force has been expanded to take care of the greater demand for this more expensive couturier jewelry line.

L. W. ROSS

President, Council Bluffs Savings Bank, Council Bluffs, Iowa

All but two of the ten leaders of commerce and industry who served on a panel at the fifth annual discussion at the First National Bank of Chicago on the business outlook for the first six months of 1959 were most optimistic. The eight included steel, appliance, merchandising, construction machinery, petroleum and credit and interest rates. The two who took a more dismal view were those reporting on retail food distribution and construction.


L. W. Ross

Because of our dependence upon the economy of agriculture and food production we are most interested and concerned about the forecast of lower food prices and a reduction in farm income. Because of an abundance of crops and comparatively high livestock prices, the talked of recession has affected us little if any and at this writing we have almost boom conditions. Many farmers have made sizable reductions, or have paid in full, capital loans of long standing. Many, recognizing the need for larger units in order to maintain a reputable standard of living, have accomplished this by concerted effort. With improved machinery and the steady improvement in technological "know-how" the amount produced per farm person has doubled and tripled since 1939. Consequently, even though prices are lower and margin of profit less, the net per person has been increased. If there is to be an increase in employment and income for the non-farm populations it would seem that in spite of evident surpluses, the farmer will not fare too badly.

While there is every evidence of an exceedingly large number of cattle and hogs in the feed lots, the stock fields and the pastures of the corn belt, the prediction is that prices paid for fat livestock will hold about steady for the next six months. Because there were 12% more cattle on feed October 1 than at the same time a year ago, and because many of the cattle taken out this year were heady, I feel that prices for finished cattle marketed this winter and spring probably won't be as high as they were a year ago. If however, the prediction is true that prices paid for fat livestock will hold about steady it will be a fine thing and will enable the feeders to utilize the abundance of rough feed which otherwise would be useless. Most of these cattle will be marketed before July, 1959.

With the completion of the new post office, the vast amount of work on the new Federal Highway System, the location of several prospective new industries in Council Bluffs, the further development of river docking facilities, the continued effective, economic control of our City Manager form of government, the aggressive, forward looking attitude of our people as a whole, for the long pull I am **decidedly optimistic.**

L. R. SANFORD

President, Shipbuilders Council of America

The world-wide "slump" in shipping following the "Suez Canal Episode" had its repercussions in the shipyards, both here and abroad.


L. R. Sanford

The shipyards which first feel the effects of a shipping "slump" are those engaged in repair work. Decreased shipping activity and the laying up of many ships cuts the potential work load of the ship repair yards and is immediately reflected in their employment, which is the yardstick with which ship repair activity is most conveniently measured. Such employment was reasonably uniform in 1957, but, for the first three quarters of 1958 (the latest figures available), the average employment has been about 27% less than the 1957 average and lower than the average in any year since 1953. Moreover, the fact that 1958 employment has decreased progressively, each quarter being less than the preceding quarter, is significant.

The jumboizing of T2 tankers has provided conversion work in some of the yards but that program now appears to have been pretty well completed. Several major conversion jobs have been completed, but there are several others which will run well into 1959.

Shipbuilding yards do not feel the effects of a slump as quickly as ship repair yards, as there is no immediate effect on yard activity and employment. Shipbuilding employment had been declining from 1953 until the latter part of 1956 when the trend was reversed. Since that time it has continued to rise until the second quarter of 1958 where it apparently has leveled off.

But shipbuilding yards do ultimately feel the results of a "slump," first by suspensions or cancellation of existing orders, of which there have been some, and, second, by the failure to place new and additional orders, which inevitably creates a dip in the future work load curve after scheduled existing orders are well along. The long lead time required for ship construction makes it necessary to have orders far in advance in order to maintain continuity of work load.

The shipbuilding yards look back on 1958 with mixed emotions. At the beginning the outlook, based on the then order book, was reasonably good and additional orders were in prospect, but they did not materialize at the rate or with the continuity anticipated. In the meantime, deliveries of previous orders affected both the existing and the prospective work load.

As of Nov. 1, 1957, 98 commercial vessels were on order, of which 68 had been ordered since Nov. 1, 1956, whereas of Nov. 1, 1958, only 87 commercial vessels were still on order, of which only 22 had been placed since Nov. 1, 1957. Thus it will be evident that deliveries exceeded new orders and that less than one-third the number of orders were placed during the year ending Nov. 1, 1958 than during the corresponding period of the preceding year. These 22 orders included one nuclear powered combination passenger and cargo vessel for government account, two ferries, and 19 cargo vessels, contracts for four of which were not awarded until October, 1958. No tankers were included and no orders for *any type* of vessel were placed between April and September, 1958, inclusive.

There has been a recent award of a contract for one large ore carrier on the Great Lakes and a very recent finding of a low bid on three additional cargo vessels preliminary to award of contract early in 1959.

There are presently pending four cargo vessels for which bids have recently been submitted, on which no awards have yet been made. In addition, invitations to bid have just been solicited on three additional cargo vessels.

There are still appropriated funds available for construction differential subsidies and national defense features for seven cargo vessels in the fiscal 1959 program, in addition to those above mentioned. It has been understood that the Maritime Administration budget for fiscal 1960 would include funds for 20 additional cargo vessels as another increment in the long range ship replacement program of the subsidized lines, but the action of the Bureau of the Budget with respect thereto has not yet been made public.

There is a little prospect for more tanker orders at present. However, some additional ore carrier orders may develop for Great Lakes service to replace small, slow, old and obsolete carriers presently in service. There appears to be little prospect for the construction of seagoing ore carriers in this country.

The unsubsidized berth services and the tramp operators both need replacements for their respective fleets, but, under present conditions have some problems to solve, not the least of which is the financing of new construction.

The use of lift-on lift-off ships may ultimately provide sufficient incentive to resuscitate, in part at least, the coastwise and intercoastal services, and perhaps even to invade the overseas field.

The prospects for orders from these various other sources mentioned are still a little too vague for shipyards to rely upon for orders in the immediate future. Hence, the bulk of any orders forthcoming in 1959 undoubtedly will come from the long range replacement program of the subsidized shipping lines, together with that portion of the current naval construction program allocated by the Navy to private shipyards.

Fortunately, the Administration and the Congress, after a disastrous lapse on the part of both in failing in 1957 to support and appropriate funds for replacement

construction for fiscal 1958, did come through in 1958 with a moderate appropriation for that purpose for fiscal 1959. It is hoped that such will be the case this coming year for fiscal 1960.

During the past year, four new passenger-cargo ships were placed in service, two for the Grace Lines and two for Moore-McCormack Lines. In addition, a major conversion of a Mariner to a one-class passenger-cargo ship for Atlantic Service was completed and placed in service. Whether or not funds will be made available in the coming session to proceed with the new superliners for the United States and American President Lines, authorized in the last Congress, remains to be seen. The construction of these two ships would contribute greatly to the prestige of our country and, by expanding the mobilization base of ships in being, particularly passenger ships suitable for troop transport, enhance the national security.

Again, as was the case last year, the key to a sound future for the shipping industry, for the shipbuilding and ship repairing industry and for the national economy, lies in the budget recommendation of the Administration for the fiscal year 1960 and the action taken by the Congress on that recommendation.

NORMAN I. SCHAFLER

President, Consolidated Diesel Electric Corporation

We of the Con Diesel Group face the year 1959 with the expectation of continued growth through increased military and commercial sales of our diverse products and services, and with confidence that earnings through the year will eclipse those of the preceding twelve months.

Norman I. Schafler

This anticipated growth, we believe, will come as a result of our active programs of diversification and product development, increased operating efficiency and aggressive sales efforts. The diversification of our operations over recent years has had the purposes of moderating the company's dependence upon government contracts, and giving the company a more balanced line of commercial and industrial products.

Since 1957 three major acquisitions have been consummated, the effects of which have been to cast the Con Diesel Group in a position of strength as it enters upon the calendar year 1959. The most recent of these acquisitions, effected by the company's Hammond Valve Corporation subsidiary on Dec. 2, 1958, extends Con Diesel's product line into manufacture of bronze valves for plumbing, heating and industrial applications. The two prior acquisitions were made by the Con Diesel subsidiaries, the Lima Electric Motor Co., Inc. and Consolidated Controls Corp. Lima Electric is engaged in production of electric motors, gearshift drives and motor generator sets for the commercial market. Consolidated Controls is a producer of aircraft, missile, and nuclear power plant controls and components.

That Con Diesel is fully prepared to meet the complex technical requirements of military procurement is evidenced by the range of new products developed and produced during the past year. These products included advanced missile and aircraft ground support equipment, precise power supply units, airfield vacuum sweepers, electronic circuit analyzers, instrumentation components for nuclear powered submarines, and commercial jet servicing equipment. As the new year opens, our Consolidated Controls subsidiary is engaged in resign and manufacture of components for primary plant instrumentation for the first nuclear powered United States Navy destroyer, as well as for a nuclear powered aircraft carrier. Elsewhere in the Con Diesel Group, work is progressing upon important new contracts for missile and aircraft ground support equipment, received from the Army Ballistic Missile Agency, Lockheed Aircraft Corporation and the United States Navy.

With the company's backlog of military business currently at the level of $19,000,000 and likely to increase, and with shipments of commercial products due to add substantially to the projected military volume, it seems reasonable to anticipate that 1959 will be a year of continued achievements for the Con Diesel Group.

NORMAN SCHWARTZ

President, D W G Cigar Corporation

From many standpoints, the cigar industry's outlook for 1959 is the best it has been in years.

The general upturn in business all over the country, following the recession, has, of course, been reflected in the cigar business also. This upward trend is expected to continue during the coming year, and its effect on the cigar business should continue in proportion.

Norman Schwartz

But in addition to this general upward force affecting virtually all businesses, there are a number of forces peculiar to the tobacco industry, which should prove beneficial also.

One of these forces is the growing tendency of millions of American cigarette smokers to "shop around." There has been considerable brand switching by these people in an effort to obtain a smoke that satisfies their requirements for pleasure. A by-product of this search for a more satisfactory smoke has been the increased use, particularly among younger men, of small cigars such as the **cigarillo.** During 1958 cigarillo sales increased substantially for many companies. And 1959 should see an even greater sales gain by this type of cigar.

In the area of the traditional sizes and shapes of cigars, there are also many optimistic signs for the year ahead. Aggressive industry advertising will be at work to help sales by promoting the masculinity of cigar smoking. Industry programs will also be at work on college campuses all over America with the objective of obtaining a foothold for cigars among younger men whose smoking preferences are not yet fully established. And other industry programs will be at work in an effort to link cigars with such masculine areas as men's fashion advertising, bank advertising, and industrial advertising.

To capitalize on the peak cigar-selling seasons of the year, individual companies are planning alert and timely promotional drives complete with bright, new point-of-sale materials, merchandising aids and powerful advertising support. And to heighten the appeal of cigars to younger men, attractive new packages with the accent on modernity will be making their appearance on cigar counters and in supermarkets.

These are just a few of the more readily observable factors which are helping to generate a healthy growth in the cigar industry for 1959. But beneath them lies something else. Not quite as obvious, perhaps, but every bit as powerful. It is a spirited new movement by an industry criticized not so long ago as being too "backward" in its ideas and techniques. During 1959, the cigar industry will not be backward. It is looking to the future with optimism, aggressiveness and a lot of new ideas. It's the business that came up from 4.5 billion units in 1933 to more than 6.1 billion units last year. And that's only the beginning!

RANDOLPH SEVIER

President, Matson Navigation Company

The New Year should be one of challenge and promise.

The challenge lies in the growing competition from jet planes and other ship lines; the promise lies in the fact that the national economy definitely is on the upswing and the Pacific region is on the verge of its greatest growth in history.

Randolph Sevier

The shift of population and economic opportunity to the Pacific Coast and to the Pacific countries has only just begun.

At Matson we share the strong belief in the future of Hawaii, the South Pacific, New Zealand and Australia and the rest of the Pacific area. The recent transaction involving our Hawaii hotels does not mean any lessening of interest in the Islands or the Pacific. In fact, Matson will be in a better position to develop its passenger ship and freighter business, which is an integral part of the Pacific tourist economy. We plan a vigorous advertising and promotional campaign for steamship travel in 1959.

The advent of the jet age should spur Pacific travel. Obviously, jet planes will offer competition for the travelers' dollars, but, at the same time, they will create new business. Thousands of tourists will want to go one way by plane and one way by ship.

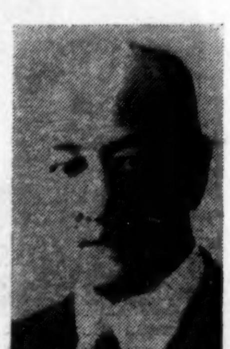
We have high hopes that the new freight container program, inaugurated by Matson this year, will continue to expand to meet the needs of modern shipping and trade. We are pleased at the warm acceptance the container project has had, both in the Islands and on the mainland.

FRANCIS P. SEARS

Chairman of the Board, The Columbian National Life Insurance Company

I am feeling very happy about our country's economic outlook for 1959 and I am confident that we can expect a prosperous year.

Brokers' loans are only one-third of what they were in 1929 and are less than 1% of the market value of all our common stocks, whereas brokers' loans were 10% of such value in 1929.



Francis P. Sears

This indicates a very safe situation and the slight decrease during the past two years in the purchasing power of the U. S. Dollar indicates that the people are wiser than they were and will not pay unreasonably high prices for goods.

The great increase in 1958 in savings accounts and holdings of life insurance shows how much many people are voluntarily saving. Another indication of this is the great increase in Pension and Social Security Funds plus the stupendous growth of Investment Trusts. Indications are that industrial production will be 5%-8% higher in 1959 with a probable 12% gain in durable goods, headed by 20% or more gains in steel products. This great increase is largely due to the better situation in the number of units of new automobiles expected in 1959, although I am happy to note the greater increase is in purchases of the comparatively lower priced cars, whose higher roofs and shorter wheel bases contrast so effectively with the uncomfortably low-slung and ridiculously lengthy styles of the past three years.

There will probably be a small increase in inventory accumulations, although not much pick-up in business capital outlays since there is at present considerable capacity in excess of demand. There is an exception in the case of public utility companies, for whose production there seems to be a continuously higher demand, especially in the residential section.

Apart from a great war, the chief danger for the coming year seems to be in threats of heavy inflation and crippling strikes by the ever grasping labor unions. Many economists predict there will be little inflation in 1959, but I hope the Federal Reserve Board will watch carefully and take needed action for control.

The great increase in purchasings of so-called Ordinary Life Insurance indicates that this product is more appreciated than ever before and shows clearly the incomparable advantages of this form of thrift.

As to our own Company, our proposed affiliation with the great Hartford Fire Insurance Company, one of the largest, soundest and oldest in the business with its 33,000 agents, should mean a great growth for us.

JOSEPH SEITZ

President, Colonial Stores Incorporated

Nineteen fifty-nine will be the year of the big question for food retailers, namely whether major food retailers can profitably handle a variety of non-food items ranging from minor soft goods to major appliances that include television sets, refrigerators and even larger items.

Joseph Seitz

Our Company which in 1958 grossed approximately $440 million in 469 stores east of the Mississippi, thinks that the next 12 months will be decisive for many big food retailers who have been edging—or plunging—into non-foods. Although non-foods are being sold more and more extensively in many supermarkets, most food retailers are still not certain where this trend will lead. The enthusiasm reported for non-foods in some sectors has not yet been accompanied by fully convincing profit-and-loss figures.

Despite the fact that Colonial has handled a wide variety of non-food items for a number of years, we are frankly hesitant to commit the chain to all-out "department store" merchandising.

We recently began installation of special "Home Centers" in certain larger supermarkets as part of the chain's new construction program. By the latter part of 1959 we should be able to reach our own decision on the importance to be assigned non-foods in Colonial's future operations. We will adhere to the premise that we are food retailers first and non-foods salesmen second and we do not intend to jeopardize our position in food distribution.

We believe that food retailing is currently passing through a transition period comparable to the shift to self-service in the Thirties. To illustrate, food retailers still do not know what is the optimum size for efficient supermarket operations, with or without non-food sections. We may discover that we really do not need monster-size supermarkets to do an efficient, economical selling job. Many retailers are discovering that well-run 12,000 to 25,000 square-foot stores can hold their volume and profit levels in competition with oversized supermarkets. The growth of so-called bantam markets in many areas is another development suggesting that size alone is not the only route to successful food retailing.

We expect our chain's 1958 sales will hold approximately to 1957 levels, but that earnings might be off as much as 20 to 25%. This reduction can be attributed to general economic and competitive conditions, reduced profit margins, and higher promotional costs.

However, our 1959 store development program will continue at the regular rate in anticipation of higher sales and earnings during the next 12 months.

ROBERT B. SEMPLE

President, Wyandotte Chemicals Corporation

I feel sure that chemicals will enjoy a greater volume of business than the year just passed. There seems little doubt that the FRB index of industrial production will show continued improvement from its present levels throughout most of the year, and hence we will be having considerably better general business conditions. As chemicals always respond to improvements in general business, in fact historically running somewhat ahead of it, there should be a real improvement.

Robert B. Semple

There will however still be substantial excess capacities for most of the major products, and there are some notable examples of capacities far in excess of current sales demands. As a result 1959 will again be a year of keen competition for business, and while I anticipate prices to remain relatively firm I doubt if there will be many significant increases. Profits should show improvement over 1958 as despite increased costs of raw materials, transportation and labor most companies have been able to

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minimize the deterioration of margins by effecting economies in production and administration.

There should be less starting up expense charges for new plants, and as a corrolary new plant construction in the industry will be down from the levels of the years just passed.

Research will continue to provide new markets for new or improved products, and those who have the good fortune this year to bring significant new research developments into the profit column will profit accordingly.

To summarize, I feel it will be an improved year for the chemical industry over 1958, but still one of consolidation of the gains in technology and plant expansion made over the past five years.

ROY A. SHIPLEY

President, Natco Corporation

Best informed estimates call for general, although moderate gains, in all construction categories during 1959.

Non-residential building is expected to increase approximately 5% to $11.6 billion, with residential building rising to $14.2 billion or thereabouts. Public works and utilities construction will edge upward from an estimated level of $9.5 billion during 1958 to almost $9.7 billion this year.

R. A. Shipley

These predictions, based on research by leading construction field economists, add up to another year of sustained activity for construction suppliers. At Natco, we anticipate a strong sales performance for product lines which find application in both residential and non-residential building. We also expect an increase in our sales of underground conduit, used principally by the communications industry. If these estimates are borne out in the months ahead, Natco glazed and unglazed facing tile, available in four face-size series and 22 color patterns, will maintain its heavy 1959 volume. This will also be true of our brick, sewer pipe, back-up tile, and allied building product lines.

We also anticipate expanded use of the newer products developed by industry research in recent years. Chief among these is glazed facing brick, available in seven colors and three speckled patterns. This product line, one of our most recent, offers the architect and contractor a material which is, at once, durable and decorative. It is, in our estimation, a strong competitor with other new building materials employed in modern construction.

Accelerated construction in non-residential building will result in another year of increased sale of facing tile, long our best selling product. School, hospital and other institutional construction will remain high, providing a stable market for facing tile. This product finds its major application in interior corridors, stairwells, kitchens, lavatories, and operating rooms. The popularity of ceramic facing tile for these uses is traceable to its wide range of colors and its durability and low maintenance cost.

At Natco, we are optimistic about another new product which has generated a great deal of interest in building circles. Uniwall facing tile, when in place, provides the builder with an unglazed rough texture exterior facing and a ceramic glazed interior facing. Available in five basic shapes, this product offers the construction industry single-unit wall construction material for the first time

Construction suppliers look back on 1958 with both pride and satisfaction. In an economy blighted by recession, construction demonstrated a wholesome stability. While many other segments of the economy slid downward, construction held its own, and, in so doing, served to help brake the effect of slipping volumes in many other industrial categories.

It is also true that suppliers view the future with general optimism. A rapidly growing population, increasing at the rate of three million each year, is the key factor in this long-range expectation for the construction field. Personal income continues to mount. One out of every five people in the United States moved during 1958. In addition, present housing, residential and non-residential alike, is becoming obsolete at a rate faster that the rate of replacement and modernization.

Some economists are predicting a rise in construction volume upward from the present level of approximately $34 billion per year to a point between $53 and $64 billion 10 years hence.

We believe that structural clay products will figure prominently in the coming boom. Research has developed product lines which combine the purely functional with decorative. Our materials are now competitive with other major building supplies in the bustling construction market. Moreover, our products are more easily obtainable, attractively priced, and capable of longer and better service in use than ever before in the history of our industry.

J. A. SISTO

Chairman of the Board and President
Barium Steel Corporation

The swift plunge of the Federal Reserve Board Index of Production and the rapid increases in unemployment which took place during the last half of 1957 and early 1958, according to all previous precedent, should have heralded a rather long period of economic doldrums and a slow recovery to present levels coming sometime towards the end of 1959.

J. A. Sisto

The rapid recovery which actually took place indicates to me that in our present type of economy those responsible for economic policy decisions in Washington have mastered the thinking and actions required to keep our economy on a fairly even keel.

It has always been obvious that cheap money would help stimulate business activity but, as was shown in the '30s, cheap money alone is not the complete answer. The new factor which can be used in stabilizing the economic cycle is the tremendous sums required for the defense program. The slow or rapid use of these Federal funds can make an almost immediate change in the economic climate and the rapidity with which they were employed in early 1958 (certainly justified in the face of Russian space conquest) primed the pump that brought overall business statistics to their present rather satisfactory levels.

From the standpoint of my own company, Barium Steel Corporation, 1958 results have been more disappointing than the general business picture. As historic suppliers to the capital goods industries, our 1958 operations have reflected the sharp curtailment in plant expansion and equipment replacement. It is my belief, however, in view of the general strength of the economy and the very high national income registered in 1958, that the production of heavy capital goods requiring structural steel and steel plate which were put off in 1957-58, should show a satisfactory increase in the months ahead.

A factor which demands that these expansion and modernization programs be undertaken immediately is the influx in our markets of foreign imports. In my opinion, this has come about at least in part through the fact that much of the heavy industrial plant of foreign nations was destroyed during World War II. The rebuilding of these plants, with the latest modern improvement, has increased their efficencies with the result that steel plate is coming to the American market at prices $18-$22 a ton below current domestic prices. This discount was advertised as recently as December in financial newspapers. If the United States wishes to keep its place as the leading industrial nation of the World, it must make its plants more efficient than even the latest of foreign reconstruction.

The United States has the highest standard of living in the World—actual and real wages are the highest paid anywhere. I, for one, would not wish to change this situation but this means that we must have the built-in efficiencies which will offset the technical improvements and lower labor costs of others. I believe that this will come to pass and that 1959-60 will see an upturn in the activity of heavy industry.

For this reason, my company is planning to build the most modern facility yet installed anywhere for the manufacture of steel ingot. This new plant to be built on deep water on the Delaware River will materially reduce our steelmaking costs and enable us to operate more profitably in our increasingly competitive industry.

DONALD C. SLICHTER

President, The Northwestern Mutual Life Insurance Company

I believe that business throughout the country will continue to expand in the first half of 1959 at about the same rate as in the last six months.

Sales in my own company, Northwestern, for the full year 1958 were but a thin 2% under our 1957 record breaking centennial year. It is significant to note, however, that the trend has been upward since May, and each subsequent month has shown an increase over the corresponding month of 1957; last month was the highest December we have ever experienced.

Donald C. Suchter

Life insurance sales in 1959 should show an upward trend for two reasons. First, personal income should be favorable. The consumer is in a good position to expand his purchases and his savings, including life insurance. Secondly, the life insurance companies generally took advantage of the opportunity afforded in 1958 to expand their sales forces, and a number of companies enter 1959 with increased sales personnel.

These two factors combine to give the life insurance business an opportunity to gain a little bit in the proportion of people's incomes which go into premium payments. Actually, while the statistics of the life insurance business have been impressive since World War II, we have done no better than barely hold our own in relation to the national economy. We think that 1959 may show a figure higher than the 3.9% of personal income which has been applied to life insurance premiums in recent years.

For the benefit of the policyholder himself, it is much to be desired that the increased flow will go into the savings forms of life insurance rather than into some of the varieties which may appear to be cheaper, but in the long run may turn out to be actually more costly and which supply little or no funds for the capital market. Although most insurance companies had more funds to invest in 1958 than in 1957 due to a decline in policy loans and payments to policyholders, as well as growth in assets, the investment opportunities available both in real estate mortgage field and for corporate securities exceeded their investible funds.

The demand for capital upon the part of individuals, corporations and public bodies apparently will be somewhat greater in 1959. Therefore, it is important from the standpoint of the over-all economy that we in the life insurance industry do a better job in 1959 in persuading the individual to save, and thus indirectly channel a larger part of his income into long-term investments. That will mean growth is accomplished without inflationary credit expansion.

REUBEN E. SOMMER

President, Keystone Steel & Wire Company

Keystone's faith in the recovery of our national economy and in the era of progress which lies ahead is indicated in one way, I believe, by the construction activity currently underway at our Peoria Plant. Like others in the steel industry we have invested heavily in new construction and modernization since the end of the hostilities of World War II and the Korean conflict. While this program was slowed down during the past year, it has been renewed and additional facilities to our manufacturing processes are underway. The year ahead calls for further modernization and expansion.

Reuben E. Sommer

All of this, of course, is being accomplished to place our firm in an even more favorable position to compete with others in our industry. Unfortunately, however, it will not offer any major relief to the common problem that faces not only Keystone but the entire domestic wire industry. That problem is foreign competition—the rapidly increasing tonnage of imported steel wire products into the United States from the low-wage-cost countries of Europe and Asia.

The problem of competing with foreign-made wire is a difficult one. While steel-maker's wage costs in America are nearly $3.60 per hour, including fringe benefits, foreign steel companies pay wages at less than one-third that amount. This is a major reason why imported goods can be sold at lower prices than domestic products can be manufactured.

This unfair competition has many dangers. It threatens the jobs of American workmen and the stability of the companies that provide those jobs. Just in the wire industry alone, nearly 3,000,000 man-hours of employment were lost due to foreign imports last year. What's more, foreign competition jeopardizes our national defense if it weakens American industry.

A fair solution to this situation is imperative if business and industry in the nation is to maintain its opportunities to grow and serve the needs of America. The progress we anticipate in 1959 and the years ahead must be predicated upon this problem as well as our ability to serve customers with top quality products and prompt service.

BRYAN E. SMITH

President, Liberty Mutual Insurance Companies

Reports from fire and casualty insurance companies will provide somewhat better reading for 1958 than they did a year ago. Much of the improvement shown, however, will be more apparent than real. This is due to the fact that changes in reported surplus will reap the benefit of substantial gains from unrealized appreciation in the market value of common stocks whereas in 1957 the reverse of this was true. Although less dramatic, there are signs that a more hopeful trend is developing in the underwriting end of the business. 1957 proved to be one of the most unprofitable years in the history of the industry, but during 1958 some improvement was experienced in the loss ratios of automobile, general liability and fire lines. A number of companies will also show a reduction of expenses incurred to earned premiums. As the leading writer of workmen's compensation for more than 20 years, the operations of our own company tend to reflect changes in the level of the national economy. During the last quarter of 1957 and the first of 1958 we could trace the effect of reduced employment and lower payrolls. Now that the country is emerging from the recession, we see this reflected in an increase in the reportings of compensable accidents and know that the premium volume from this source will soon resume its upward trend. In common with others who write a large and growing amount of automobile insurance, the 1958 results reflect, in part, the rate relief granted. During the year, some 35 of the 49 states have promulgated, approved or permitted automobile insurance rate increases.

Bryan E. Smith

In some states where increases are badly needed, however, requests have been denied or delayed.

One of the most serious problems facing the industry, that of inflation, is properly a subject of concern to the entire nation. In the fire and casualty field the ravages of inflaton are manifest in many ways. Automobile repair costs reflect the higher cost of parts and labor, injuries reflect the increasing charges for medical and hospital care and disabilities which produce loss of wages reflect higher wage rates. As inflation becomes an "accepted" way of life there is also a tendency on the part of judges, juries and industrial commissions to liberalize their awards for damages sustained. The private insurance industry cannot long remain a healthy, vigorous part of the economy if it is obliged to pay tomorrow's losses out of last year's premiums.

Another problem of mounting concern to all responsible people is the socio-economic consequence of the ever-increasing toll on this country's highways. Insurance companies are doing much to make drivers safety conscious and to enlist the aid of highway designers, automotive manufacturers and law enforcement agencies to the end that the increasing frequency and severity of automobile accidents will be brought under control. All this is important, but the final answer to the problem must await the demands of an informed and aroused public which insists that the necessary reforms be instituted to remove the irresponsible and unfit drivers from the nation's thoroughfares.

The economic climate of 1959 promises to be an extension of the improvement witnessed in the latter half of 1958. Not a spectacular resumption of boom proportions but a gradual advance in the recovery under way. This will provide the necessary background for fire and casualty companies to consolidate and extend the underwriting trends indicated for 1958. Mutual companies during 1959 should reflect the general business upturn, along with improvement in underwriting, expense control and general operating results.

Liberty Mutual will continue to emphasize loss prevention, careful underwriting and efficient operation all of which combine to provide insurance at the lowest possible cost.

M. J. SPIEGEL

Chairman, Spiegel, Inc.

At this time last year there was considerable uncertainty in the prospects for retail trade in 1958. Although sales lagged somewhat in the early part of the year, the recovery in recent months has more than offset this earlier loss so that most merchants will have equaled or exceeded 1957 performance.

M. J. Spiegel

In sharp contrast to a year ago, the prevailing sentiment among the nation's leading economists today ranges from guarded to strong optimism for the general business outlook in 1959. With virtually no exceptions, all major segments of the economy are expected to move forward in 1959, with the aggregate national output attaining a record level by the fourth quarter of the year.

Consumer spending is expected to be one of the principal factors contributing to improved business in 1959. There are a number of reasons to expect consumer spending to rise substantially over 1958. The consumer has proven to be the most stable element in the economy by consistently increasing his purchases of goods and services—even during the three postwar depression periods. In the most recent business adjustment, total consumer buying declined less than one% from the peak of 1957 to the lowest point in the recession period, and for 1958 as a whole, consumer expenditures are estimated to exceed 1957 by approximately $7 billion.

The decline in the sale of durable goods which marked the first half of 1958 was halted during the last six months, and Spring 1959 should see a more normal buying pattern in the allocation of the consumer dollar among non-durables, durables and services. With durable goods moving, employment should increase sufficiently to provide jobs for the growing labor force and reduce unemployment to a normal level by the second half of the year. Wage rates will continue to rise, although there are indications that pay raises without improved productivity will be more difficult to obtain. Higher social security and pension benefits will boost the incomes of the growing senior citizen group. These factors will combine to augment personal income in 1959—and while income taxes and savings will absorb a nominal share of the increase, the remainder should be significantly above the 1958 level.

Despite present and prospective levels of personal income, there are still many indications that consumers are willing to buy only when convinced that they are getting low prices and good values—and that they are directing their buying power more to necessities and less to luxuries than heretofore. Christmas trade, while brisk in the mail order industry, found such things as toys and luxuries falling behind while the greatest sales increases were made in clothing and home staples.

The mail order catalogs for Spring are priced sharply, with the over-all average price level lower than last Spring. In our Spiegel General Catalog for Spring, a book offering some 40,000 items for home and family, the over-all average reduction ranges from 2 to 2½% under Spring, 1958.

The mail order industry, established as the traditional low price leader, also continues to offer the most convenient shopping services for many families. Whether the customer shops by mail, or by telephone through the growing network of catalog order offices maintained by the major firms in the industry, the catalog represents a great department store in the home, open 24 hours a day so shopping can be done in leisure time—with no need for baby sitters, and no parking problems.

With strong trends anticipated in all major sectors of the economy and with excellent consumer acceptance of mail order merchandising, 1959 should be a banner year for mail order retailing.

A. M. SONNABEND

Chairman of the Board and President, Botany Mills, Inc.

From year to year, management's problems change little in kind, but a great deal in focus. Sales, production, financing—all the varied areas of the company's activities are always of concern to the chief executive officers of an organization. But each year, one aspect seems to require more attention than the others.

A. M. Sonnabend

During 1958, the corporate community was absorbed with the problem of weathering a sharp recession. In the face of falling markets, managements made a two-pronged attack composed of an all-out effort in sales and promotion, as well as in paring overhead. Every phase of operations was studied to get down to the barest structure needed to accomplish the job—without impairing its quality. The sales force was strengthened with every aid and incentive—to open new markets and supply the backing needed to do the job. Most observers of the American economic scene appear united in thinking that on balance the experience has been good. On the whole, the fat has been trimmed and the organizational muscles are in better shape than ever to meet the needs of the future.

The new year requires a different focus. Nineteen-fifty-eight saw management reduce overhead to its minimum and build its sales forces; 1959 will see management—in the face of rising costs—fight to maintain that level of overhead despite a boom in sales. The prize for every management will be a sorely needed stimulus to its profit margin.

The toll for failure to toe the economy mark will be paid in profits. In 1958 a poor profit year was anticipated. The stance was toward the future and thought in terms of reshaping the operation for the coming recovery. But towards the close of the year, managements became acutely conscious of the fact that this was not a single year resulting from the recession, but a three-year trend that is a product of the recession, inflation and soaring costs.

Now profit margins will be watched with the greatest attention. By maintaining the economies effected in the past year and taking advantage of the present economic health, wider profit margins may be attained. Acutely aware of the dangers of inflation, most enlightened managements will attempt to pay dividends through intelligent manipulation of costs and sales.

STANLEY M. SORENSEN

President, Hammond Organ Company

Sales and earnings of the Hammond Organ Company should reach record levels in the year ahead as the nation's booming economy pushes living standards higher and intensifies consumer desire for leisure time products. Like all companies that are contributing to the growth of the economy, Hammond will benefit from the standpoint of increased volume and profit.

Stanley M. Sorensen

The organ has won the acceptance and approval of the public. No longer is it considered an instrument solely for use in the church. The American homeowner has discovered that the easy-to-play organ makes his life more pleasant and more enjoyable.

There was a day when the organ was looked upon as a luxury item. Today it is generally agreed that goods and services that were once considered luxuries no longer bear this connotation. Under a social pattern that combines a growing population with technological advancements and greater leisure time, the organ is becoming increasingly important as an integral part of the home, the church, the school, the television-radio station, etc.

Research indicates that less than 1% of the 50,000,000 homes in the United States have organs. This market enjoys a potential that is very, very substantial. In the past, the large bulk of Hammond Organ sales has been to homes, and it will continue that way in the future.

Hammond has laid the groundwork to handle the anticipated growth of its business with sufficient capacity to meet a sizable increase in demand. Equally significant, our company has the finest dealer organization of any organ manufacturer in the United States.

It goes without saying that a quality product at a fair price is paramount in the growth pattern of any company.

In the light of our projections for the future, it is essential that we return to the present and examine Hammond's current fiscal year which ends March 31, 1959. We are very optimistic that earnings for 1958-59 will equal the $3.07 net per share of the like period one year ago.

This belief stems from the fact that we have improved our margins, and factory sales prospects for the final quarter are good.

Every prevailing sign points to a continuation of the dramatic growth of business. Only a confirmed pessimist would seriously doubt the nation's long-term prospects.

ROBERT C. SPRAGUE

Chairman of the Board, Sprague Electric Company

Early in 1958, the electronics business was headed downward rather rapidly under the impact of the developing recession in the general economy and the sharp cutbacks that had taken place in defense procurement.

Robert C. Sprague

There is considerable evidence that the bottom of the recession was reached in our industry in late April or May, and that a recovery has been underway since that time; in several areas of our business, however, it would be a mistake to say that we are yet back to the levels reached in 1956 and early 1957. Despite this, there has been sufficient strengthening in recent months to indicate that our industry's total factory shipments reached approximately $7.8 billion in 1958.

In the important military electronics field, orders have been rising after reaching a low point in the early months of the year. While deliveries have also risen modestly in recent months, the effects of the earlier cutbacks are still being felt because of the rather long lag that typically occurs between the placing of an order and the initiation of regular production.

Total military electronics shipments in 1958 probably came to about $4.1 billion, compared to $3.9 billion in 1957. With prospects for an increase of at least $1 billion in total defense spending in 1959, the outlook appears good for further growth in military electronics. While I believe our industry can look for increasing military business over the next several years, I think we must recognize that much of this increase will be in products —whether systems, equipment, or parts — which are basically new and will require extensive specification, tooling, and other pre-production work.

In the home entertainment market, 1958 was a very disappointing year in all segments except hi-fi, which has been enjoying a boom all its own. Television set production dropped to about 5¼ million from 6.4 million in 1957, while the situation in radio was adversely affected by the weakness in the automobile market. Production of auto sets dropped to about 3.5 million from 5.5 million. Home radio sales probably declined to 8.5 million from 9.7 million, so that the total radio market was only 12.0 million against 15.2 million in 1957.

There has lately been some strengthening in demand for appliances generally, and while I believe we can look for radio-TV sales in 1959 to regain approximately the 1957 rate sometime during the year, it is too early to say how much the 1959 total may improve.

Closely approaching the home entertainment market in importance is what is generally referred to as commercial and industrial electronics. Despite a drop in computer sales from $275 million to perhaps $225-250 million in 1958, total volume in industrial electronics probably rose modestly from $1.2 billion to $1.3 billion. The outlook for 1959 in this field is very good, since we can expect a resumption of the growth of data-processing equipment, and there should be a good market for communications equipment on the part of the airlines, as well as some general recovery in the capital goods sector.

For the electronic parts producer, the mixed trends in the major end-product markets made 1958 a difficult year, and with the exception of semi-conductors, total sales of parts and tubes appear to have been slightly below 1957. However, indications are that the latter part of the coming year sales of parts will be in a strong uptrend, which I fully expect to continue into 1960 and beyond. The market for replacement parts continued to grow last year, reaching a total of about $950 million, and should again increase in 1959.

The market for semi-conductors of all types continues to grow rapidly year by year, with total transistor sales in 1958 approximating $100 million compared to $70 million in 1957 despite significant reduction in prices. Data-processing applications now represent more than one-third of the total transistor market, despite the relatively high cost of this type of transistor today. Cost reductions brought about through the use of mechanized production techniques may well result in still further gains in transistorization of data-handling equipment, military as well as commercial.

Nineteen-fifty-nine should be a much better year for our industry, providing we can meet various continuing challenges to our skill and ingenuity. There will certainly be a continuing demand for higher reliability in electronic equipment, which fundamentally means more reliability in the parts from which it is assembled. Recent emphasis on miniaturization will continue, as will the search for materials and packaging techniques to permit electronic devices to operate under severe stresses from temperature, shock and vibration. I look forward to the future with confidence that we can meet these challenges successfully.

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J. R. STEELMAN
President, Koehring Company

The officers and directors of the Koehring Company believe that 1959 operating earnings in our industry will be much improved over 1958. Our internal market research activity indicates that there is a sufficient backlog of contracts awarded that demand for construction equipment through at least the first half of next year should be good. We are projecting our 1959 sales close to the 1957 level of $56 million, compared to a $45.5 million total in 1958. The increase is to be generated principally by domestic sales of our construction equipment divisions.


Julien R. Steelman

Foreign sales of construction equipment and sales of our hydraulic press manufacturing division are expected to continue close to the 1958 pattern; about one-third less than 1957 which was an excellent year for both.

Because of the broad line of equipment we manufacture, we have some built-in indicators of future demand. One of our divisions, a manufacturer of cement batching equipment, had an unusually strong last half and entered the new year with a backlog many times as high as it was 12 months ago, high enough to virtually assure good results through the first half of 1959. When highway construction is accelerating, as it is, the demand for this equipment normally precedes demand for paving equipment manufactured at another of our divisions which is now preparing for a relatively high level of shipments next spring.

Another division, a maker of machines used to dig trenches for underground cable, sewer and water lines, posted a dollar sales increase of 24% over 1957. This indicates expanding housing activity, and most important to us, the desire and need of contractors to tool up to meet demand.

We have a Canadian plant that supplies, and is affected by, two industries. One is paper mill machinery, which is temporarily at a virtual standstill, as is expansion in that industry. The other is construction machinery. We anticipate that that market should be improving similarly to the U. S., but at a slower rate.

A chart has been published by the Conference Board that is in agreement with our projections. It forecasts higher 1959 public expenditures in all categories, with the largest increase expected in highway construction. Private construction activity is expected to be up less sharply, with a 10% increase in residential construction partially offset by a somewhat lower level of industrial expansion.

Actually, in the postwar market, construction activity has been relatively immune to the three recessions of 1949, 1954 and 1958. Swings in equipment sales were wider than contracts awarded, however, reflecting the effect of optimism—or lack of it—on the part of contractors. The attached chart shows these swings, and the "lag effect" of awards compared to equipment sales.

We feel confident that the forces are already assembled to provide a strong demand for construction equipment in the first half of 1959. If contract awards continue in their present trend, this demand should be sustained, except for seasonal declines, during the second half of the year.

A. A. STEIGER
President, Tel-A-Sign, Inc.

We are in a manufacturing business of which too little is known and yet in itself, it can serve as quite an interesting barometer for the outlook of business for the year ahead. Because we are an adjunct of the advertising business and because most major concerns set up their advertising budgets at least a year ahead of time and, furthermore, since most concerns will budget for advertising based on their own business outlook, we can readily feel whether these concerns feel "bullish" or "bearish" about their business expenditures for the year ahead.


A. A. Steiger

We are in a business of manufacturing indoor and outdoor illuminated signs of a permanent nature, which are used by manufacturers of consumer products whose products are in turn sold at the retail level. Our signs are used either on store exteriors, or within the confines of the retail outlet, either in windows, on counters or backbars, or hanging as superstructures over areas where the advertised merchandise is housed.

With the advent of self-service in supermarkets and other large retail outlets, producers of consumer goods have had to lean on point of sale advertising as the "silent-salesman" which takes the place of the retail clerk who is rapidly disappearing from the scene. Point of sale material either comes in nonpermanent materials, such as lithographed paper which is customarily used for a single promotional item, or in permanent materials such as those produced by our company, which are made of plastic faces, interiorly lighted (customarily by fluorescent lighting) and generally housed in a metal case. Color, light and various elements of animation are introduced so that the unit as such serves as an eye catcher and an attraction to its location in expectation of increase in sales of the particular item which the sign advertises. This resulting increase in sales has been proven by many and various surveys.

In 1958, we felt the resistance on the part of the average purchaser to spend money for promotional materials. When cut backs are in order it seems that with the few exceptions of concerns who hope to make up for a drop in business by an increased advertising budget, that the average firm will cut back on their spending for promotional material. We found this particularly true in the petroleum industry. This industry has only in the last two or three years entered upon a phase of rehabilitating and enlarging their stations, revitalizing and modernizing their trade-marks and as such, in 1957 most major oil companies were ready to commence using our modern plastic faced interior illuminated signs for station identification. However, it seemed that universally an austerity program took place on the part of practically all petroleum producers whose product is sold at the retail level. Programs literally stood still. However, late in 1958, many of them began working almost feverishly to complete the crystalization of their sign program and we feel that 1959 will be a year of major spending in this area by the petroleum industry.

We have recently had the experience of receiving the largest order we have ever received and, incidentally, we understand it to be the largest individual order that has even been placed by one of the top American breweries, as the start of their 1959 program. The same has been our experience with a major and very successful radio and television manufacturing company, and also with a major producer in the soft drink bottling industry.

With this experience with a cross section of the nation's economy, coupled with meetings and conversations with many of the nation's top producers of consumer merchandise, we come to the conclusion that they are all, as are we, anticipating a business boom during 1959 which in many fields will undoubtedly prove to be record breaking. We can only hope that no unforeseen factors will be encountered that will interfere with what to us foretells a very busy and prosperous 1959.

HERMAN W. STEINKRAUS
Chairman of the Board, Bridgeport Brass Company

The past year has seen our industry turn the corner of the recession, beginning in the second quarter and continuing gradually upward. The outlook for 1959 is for a better year on sales, but with some uncertainty as to profit levels, due to keen competition both domestic and foreign.


H. W. Steinkraus

We are principally in the copper, brass, and aluminum mill products business. We produce copper, brass, and aluminum sheet, strip, rod, wire, tube, pipe, and special aluminum extrusions and large forgings in a multitude of alloys, as well as in the basic materials.

This industry was hard hit beginning in the second quarter of 1956 when the international price of copper begin to slide from an all-time high of 55 cents to less than half of that figure. It naturally followed that our customers delayed new purchases and lived off their inventories for as long as they possibly could.

Beginning in the second quarter of 1958, the price of copper had apparently reached bottom and began to show a little sign of strength. In the meantime, customers' inventories were very low, and they had to start purchasing their immediate requirements; at the same time providing a small increase in their inventories. This brought our business to the point where, in the last quarter of 1958 it showed a definite improvement, and the prospects for 1959 continue to be in a gradual upward direction.

Our business is affected by the automobile industry, which we expect will be better than last year; by the construction industry, particularly residential, which we believe will continue to be good; and by the electrical appliance industry, which shows signs of definite improvement in 1959. There is also a wide range of uses wherever the strength, durability, specific gravity, conductivity, or beauty of the metal is an important factor.

In addition to these large segments of industry using our materials, we have some important items in the Defense Program, particularly with the Air Force and Navy in parts for airplanes and guided missiles. Indications are that the Defense Program will continue to be strong in 1959.

In summing these and other factors affecting our business, we expect that 1959 will be decidedly better than 1958, but in view of present competitive price situations, we cannot at this time estimate what our profits will be. They have been rising with the increased sales of recent months, and we expect that, if the general economy shows further improvement, our profits will reflect accordingly.

ARTHUR W. STEUDEL
President, The Sherwin-Williams Co.

There can be little doubt now that business generally is again on the way up. It may take a while for the entire economy to get back into high gear, but we can look forward with confidence to increasing business activity throughout 1959. At Sherwin-Williams, we are already experiencing that trend. During September, October and November, the first three months of our current fiscal year, sales increased $12\frac{1}{2}$% over the same quarter in 1957.


Arthur W. Steudel

Particularly significant is the fact that this improvement is being felt in every phase of our business. In the area of trade sales paints—those used by painters and homeowners—new products such as our Loxon masonry paints and the Dexall line of painting accessories and specialties helped to augment the gains. Among industrial finishes — the materials used on such varied items as appliances, office equipment, guided missiles and the thousands of other products of industry—our new Ajax water-reducible insulating varnishes and developments in plastisols led the upward swing.

Several new pigments and a number of new chemical products from our pigment, color and chemical division are finding a ready market. Introduction of a new line of acrylic lacquers has helped stimulate sales for our automotive division. Improved demand has also been felt in the metal container phase of our activities resulting in our production reaching an all-time high for the quarter.

These are encouraging trends. They give us reason to believe that 1959 will be the greatest year in Sherwin-Williams' 93-year history.

Research has played an outstanding role in our operations in recent years. It has been responsible in large measure for continuing growth. Sherwin-Williams will expand its research program in the year ahead, confident that the new materials being developed will further broaden the market for our paint and chemical products.

We are further backing our confidence in the future with a plant expansion and improvement program involving expenditure of several million dollars during 1959. A new plant at Vancouver is now moving into production, and a warehouse at Winnipeg is expected to be in operation next spring. Our new barium monohydrate facilities at Coffeyville, Kansas, should be on stream by the time this article is printed.

Since practically everything made by man requires a protective or beautifying coating, the paint industry is itself an excellent barometer of general business trends. Judging from current experience, then, 1959 can be expected to be a year of further economic progress. Not so spectacular, perhaps, as some we have known in this decade, but certainly a year of sound growth and development.

EDWARD L. TEALE
President, New York Shipbuilding Corporation

New peacetime sales, earnings, backlog and employment records were established by our corporation during 1958 reflecting the sound program of forward planning in effect over the past several years. With the award of the construction of two 10,210 deadweight ton freighters for American Export Lines early in the year, the corporation's backlog stood at $280 million and assured a high level of activity through the next two years. Subsequent award of a $49,-886,594 contract for the construction of two missile firing frigates for the U. S. Navy later in the year served to reaffirm this position and brought to 16 the number of major shipbuilding and conversion contracts on our order books.


Edward L. Teale

Current contracts include, in addition to the above four vessels, the construction of the KITTY HAWK, the Navy's first aircraft carrier to be armed with guided missiles; the attack submarine BONEFISH; three missile firing destroyers; the world's first nuclear-powered passenger-cargo vessel, the NS SAVANNAH; four 45,500 deadweight ton commercial oil tankers and one of 35,000 deadweight tons; the conversion of the light cruiser LITTLE ROCK into a guided missile firing vessel and the construction of the nuclear reactor pressure vessel for the world's largest all-nuclear commercial power generating station being constructed at Dresden, Illinois, for Nuclear Power Group, Inc.

Of especial significance during 1958 was the laying of the keel on May 22, of the nuclear ship SAVANNAH. Scheduled for launching in 1959 and operation in 1960, this pioneer atomic ship heralds a great peacetime era of nuclear, merchant and passenger fleets and indicates New York Ship's future role in the fast developing Atomic Age.

Of perhaps equal significance was the launching on Nov. 22, of the attack submarine BONEFISH for the U. S. Navy. Of a new design built for extreme speed and maneuverability while submerged, it is the first submarine ever to be constructed at New York Ship and ranks with the SAVANNAH as an index of future potential at the yard.

With 10 vessels under construction or conversion during the year, employment rose from 5,600 at the end of

1957 to 10,500 at 1958 year-end. This rapid rise in employment resulted in weekly payrolls in excess of one million dollars flowing into the local economy and contributing substantially to the general overall prosperity of the area.

We at New York Ship look forward to the year ahead with renewed confidence. The facilities and personnel of this modern shipyard are geared to meet the exacting challenges which will present themselves. While 1958 was a year of ascending activity, the prospects for 1959 are for the continuance of the high level of activity reached in the latter half of the previous year.

CHARLES A. TAYLOR

President, The Life Insurance Company of Virginia

The outlook for improved employment conditions and payrolls during 1959 seems to me definitely favorable and since life insurance sales depend very greatly on such conditions I look for increased life insurance sales during the year.

Charles A. Taylor

I also look for a continuation of the favorable investment opportunities so far as debt securities are concerned during the year.

Because of the two factors mentioned above I look for increased and keener competition among life insurance companies.

The big imponderable facing the life insurance business is the uncertainty surrounding our Federal Income Tax treatment. It is to be hoped and it is my belief that Congress will enact something of a more permanent nature early in 1959 with which the business can live.

G. S. TOMPKINS

President, American Viscose Corporation

Through constant research in cellulose technology and increased market development activities, Avisco fibers and films are gaining new markets with a tremendous impact. Despite the general business recession during the first six months of 1958, so many remarkable research and development advances were made in products and new uses that we of American Viscose view 1959 with a great deal of optimism.

Gerald S. Tompkins

One of the most important internal developments of recent date has been the completion of a major change in the operating framework of the Company. For many years, American Viscose was organized along purely functional lines with all sales the responsibility of one executive, all manufacturing reporting to another executive, and so on. This type of corporate structure was logical as long as the Company concentrated most of its attention on the textile industry. However, the exceptional growth of the cellophane end of the business, plus promising development in fiber products, prompted the decision to reorganize activities on a divisional basis.

As a result, two major, integrated operating groups were created—the Film Division and the Fibers Division, each headed up by a Vice President and General Manager. Each also has complete sales and manufacturing facilities supported by specialized engineering and product technology.

This new organization structure assures that all functions within each Division will receive more concentrated and specialized attention, both in the manufacture and sale of present products for current applications, and in intensively searching out new uses and markets for present products as well as detailed investigations of new products entirely. Beyond this, the clarification that has now resulted from the creation of separate **product groups** will also make possible more coordinated assistance to the Divisions by such important staff functions as research, engineering, and marketing.

From our experience to date, we are certain that this new operating concept represents a major step forward—one that will serve as a solid foundation for the future growth and development of American Viscose Corporation.

During the past year, a number of other organizational changes were instituted within our company to further strengthen operations and customer service. Production and sale of all fibers were consolidated under one new division; and the sales function itself reorganized to give added emphasis to product applications as well as over-all merchandising and new product development. Technical and research groups have broadened activity in the anticipation of market needs as well as in the evaluation of new products and product ideas.

Industry Improvements Seen

The textile industry showed marked recovery in the third and fourth quarters of 1958 from the depressed conditions under which it entered the year. This impetus should carry well into 1959. Optimistic forecasts regarding 1959 residential construction and passenger automobile sales are encouraging for textile prospects in the vitally important home furnishings and automotive markets.

Early in the fourth quarter of 1958 the combined apparel and textile industries recorded a 5½% gain in production index. New order bookings indicate continued improvements in both fields during 1959. Reduction of inventories and firming of prices on many items are some of the by-products of a lean year, auguring sound recovery for the most part.

For reasons of efficency and economy, American Viscose recently closed its Roanoke, Va., plant. This action has enabled the Company to consolidate our Viscose Fibers manufacturing facilities at Lewistown, Pa., and Parkersburg, W. Va.

A view of the progress in five principal markets—apparel, home furnishings, automotive, industrial, and packaging—will substantiate American Viscose's enthusiasm for its products of cellulosic chemistry.

Blends Important In Apparel

Continuing advances in the apparel field in the use of fabrics made of fiber blends reflects the enthusiasm of fabric mills, converters, and apparel manufacturers for this type of research development. The most recent achievement was the introduction by American Viscose "Cotron," a new trade-name for blends of cotton and Avisco rayon. Several leading mills are currently weaving Cotron fabrics, and others have indicated early plans to do so. Colorful Cotron prints are now being marketed in blouses, dresses, pajamas, men's shirts and underwear, and children's playclothes.

New Products For Tufted Home Furnishing

Increasing home building activity—perhaps 100,000 more home starts in 1959 than in 1958—will strengthen demand for home furnishings, in which Avisco fibers play a constantly bigger role. New carpet fibers with improved performance characteristics were adopted by a number of leading tufted manufacturers. Super-L, the staple fiber engineered by American Viscose especially for this market, demonstrated its superiority over ordinary carpet fibers during the year as reflected by an increase in sales rate of over 300%. This product is now being ordered in solution-dyed form in a variety of popular Colorspun shades.

Tyrex Development Makes News

A revolutionary new Viscose yarn, the result of research of five leading man-made fiber producers, was introduced for automobile tires several months ago. Tyrex certified viscose tire yarn and cord is now being used in original equipment tires on all makes of new automobiles. This cord is also being used increasingly in the replacement tire market.

Nonwoven Fabric Usage Up

The fast-growing nonwoven fabric field offers a challenging and almost limitless possibility for rayon usage. American Viscose, the world's largest producer of cellulosic fibers, is now developing new and improved fibers for a variety of nonwoven products. Hand towels, wiping and cleaning cloths, and a number of other utility fabrics were introduced during the year by a leading textile manufacturer. Nonwoven draperies, table cloths, and apparel interlinings also gained in market acceptance. Another swing toward cellulosics took place in surgical and sanitary products as new special fibers were developed for one of the largest pharmaceutical companies. In this, as well as in other fields, Avisco fibers have proved their advantages in quality and economy.

Another big company potential in industry exists in the vast filtration field. Fiber manufacturers, in conjunction with manufacturers and users of filters, have in progress a number of extensive tests which are expected to mean increased sales to this market. Commercial and industrial air-conditioning alone consumes 100 million square feet of filter material a year. In all, more than 90 million pounds of material is used annually for air and liquid filtration.

Reinforcement of paper products also offers a substantial market. For example, last spring a prominent manufacturer introduced a super-strength paper reinforced with rayon filament scrim. End uses include industrial wiping towels, table cloths, napkins, aprons, and headrest covers. Strong and economical, scrim is made of Avisco fibers also expected to find an important market as the reinforcing component in heavy-duty, multiwall paper bags, as well as in combination with plastic films.

Cellophane Production Increased: New Wrap Introduced

A major development on Avisco cellophane during 1958 was the opening of the Marcus Hook, Pa., cellophane installation. This is the most modern cellophane plant in the world, with the largest IBM control system in private industry. This new Avisco facility processed its first order late in the summer and will soon be producing at the rated capacity of 50 million pounds a year.

The introduction of Avisco REO cellopane, the revolutionary polymer coated type for in-store packaging of fresh red meat wrap by supermarket operators and meat managers is proof that research has paid off with this cost-reducing, sales-building film.

Shipments of all Avisco cellophane types were up during 1958, in line with the trend to expand cellophane packaging in every field, particularly baked goods and fresh produce. Shipments, in fact, were even larger than during the record year of 1956.

NORFLEET TURNER

President, The First National Bank, Memphis, Tenn.

For the most part, the banks in our area have concluded a satisfactory year. Deposits have shown a moderate increase and profits held steady or slightly increased. A good crop year has enabled the farmers to reduce substantially the 1957 crop carryover, and farmers will enter 1959 in a much better financial position that a year ago. This fact together with the general business recovery causes us to be moderately optimistic about the coming year.

Norfleet Turner

As predicted, 1958 was a year of the "profit squeeze," but the lessons learned in expense control as well as the expectation that business activity will increase, should, despite increasing costs, enable banks to maintain their present operating profit margins in 1959. Specifically, we expect loan demands to increase during the coming year with interest rates holding firm. Indications are that the farmers in this area will take advantage of the increased acreage allotment thereby increasing their demand for credit, and we also expect continued and increasing pressure for term loans. Consumer credit should reverse the declining trend which carried through 1958.

Unemployment was less severe in our area last year than in other parts of the nation, and credit experience was satisfactory. While we anticipate no severe credit difficulties for 1959, we will continue every effort to thoroughly screen loan requests, properly supervise the loans that are made, and insist on proper audit control of borrowing customers. Continued emphasis on seasonal loan liquidation will also be stressed.

The downward trend in deposits was reversed in 1958, and we foresee a rise in deposits of perhaps 5% for 1959. With most banks now paying the maximum allowable savings interest we believe that the present growth trend in savings deposits will continue despite intense competition for the savings dollar.

We are optimistic for 1959 but realize the absolute necessity for continued hard work and adherence to sound banking principles.

HENRY TUTTLE

President, Michigan Consolidated Gas Company

Michigan's current economic recovery is expected to continue its upward trend in 1959, particularly in the Detroit area where an average rise of 10% is predicted for all phases of business and industrial activity.

Henry Tuttle

While there may be some leveling off in the last half, business and industry in general look forward to a considerable improvement over 1958. During the past year, average monthly employment in the automobile industry dropped to 295,000—the lowest level since 1948 and a decrease of 100,000 from the previous year. Throughout the state, average monthly unemployment reached 406,000 or 13.9% of the total labor force, compared with an average unemployment figure of 199,000, or 6.8% of the labor force, in 1957.

Despite these adverse circumstances, Michigan Consolidated Gas Company continued to record important gains during 1958 in the more than 120 Michigan communities which it serves.

The Company's estimated total sales for the year increased more than 10% over the record 159,247,783 cubic feet of gas sold in 1957.

In a period of general decline elsewhere, Michigan Consolidated added 4,700 customers during the first 11 months of 1958, raising its total number of customers to 851,489 as of Nov. 30.

As a further testimonial to the rapidly growing popularity of natural gas as a fuel, the utility added 45,804 space heating customers from January to November 30. That brought the Company's total heating customers to 577,802, or approximately 65% of all homes and commercial buildings in its service area.

Two affiliated pipelines link the area served by Michigan Consolidated with the nation's largest gas fields in Texas, Oklahoma and Louisiana. Huge underground storage fields in west central Michigan further enable the Company to supply natural gas to a steadily expanding population. For example, in 1959 the population of the Detroit area is expected to climb to 3,906,000, an increase of 1.7%.

As in the past, Michigan Consolidated will pursue every means possible to provide industry with adequate supplies of gas. This fuel will play a key role in the predicted 28% increase in passenger car production during 1959.

Other Detroit area industries geared for a decided upswing include non-residential building which looks for a 19% increase and truck production which is expected to rise about 15%.

According to forecasts, payrolls in the Detroit area will increase about 11% over 1958. Although activity in general is not expected to reach the boom levels of 1955-1957, the state's economy will enjoy a year of outstanding health and vigor.

As an integral part of this growth, Michigan Consolidated Gas Company pledges all-out support to the

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needs of expansion and progress. In evidence of its faith in Michigan's great future, the Company in 1959 will complete plans for a $20,000,000 skyscraper office building to be located in Detroit's new Civic Center.

Two of the country's leading architectural firms are pooling their talent to produce the structure. For this project, they are known by the combined name of Yamasaki, Leinweber—Smith, Hinchman, Grylls, Associated Architects and Engineers.

Their individual creations include the renowned General Motors Technical Center, McGregor Memorial Building at Wayne State University, St. Louis Airport and the Penobscot Building, Detroit's tallest structure.

In addition to Michigan Consolidated, the new building will provide quarters for other affiliates of the American Natural Gas Company system, including the American Louisiana and Michigan Wisconsin pipe line companies.

Overlooking the Detroit River—key link in the St. Lawrence Seaway—Michigan Consolidated will occupy a central position in the magnificent "Detroit Tomorrow," now beginning to emerge.

CARL W. ULLMAN

President, The Dollar Savings and Trust Company, Youngstown, Ohio

The decline in business activity which started about the middle of 1957 reached its lowest point in April 1958. By the end of 1958 many parts of the country had experienced a good recovery but the upturn, while substantial, did not attain the pre-recession levels nor did all regions and businesses share equally in this increase. Employment in certain areas did not keep pace with the upturn. Basic steel and the closely related automotive industry were slow in participating in the recovery. This had an unfavorable influence on the general level of business in our Valley.

Carl W. Ullman

A favorable factor of local importance is the growing attractiveness of our trade area as a site for diversified industry and distribution facilities.

Most economists think that 1959 will show further improvement of a modest nature and that the long range outlook remains good. They base their opinions on the probable government spending, the probable consumer spending, total new construction and inventory accumulation.

The recent recession proves again that with all our studies and planning we cannot fully control the business cycle. Because of that, each inventory situation and each proposed plant and equipment expansion need to be given the most careful attention.

CARLETON C. VAN DYKE

President, The Toy National Bank and The Farmers Loan and Trust Co., Sioux City, Iowa

The outlook for the banking business for 1959 in our trade area is closely tied in with two of the most unpredictable things of all, one being the weather, and the other the United States Congress. Bank deposits and loans, etc., are closely related to the agricultural picture here in Sioux City and in our surrounding area. The outlook for agriculture in 1959 is that the farmer will receive from 5% to 10% less income. The year of 1958, however, will show farm income about 20% ahead of 1957 and represents the best net income the farmer has had in five years.

Look for lower prices on farm products and commodities where heavy supplies are already on hand.

There will be a reduction in Government payments to farmers due to canceling of the Soil Bank Program, which gives him less income. Feeder and replacement cattle are to be priced about the same as 1958 and the market on finished cattle should hold steady for the next six months.

Hogs, eggs and poultry will probably bring lower prices during the year due to an oversupply.

In addition to the above, the farmer will have increased expenses. Wage rates, taxes, insurance and some machinery items will be up.

Watch for new types of financing called "integration." Basically, the farmer has to decide if he wants to be "someone's hired man" as some poultry and feed organizations furnish the chicks, the feed and guarantee the price. In exchange for this, the farmer furnishes the land, buildings, water, lights, care, etc. If prices go down he is protected provided the feed and poultry company are financially sound. If prices go up, his profits are limited by his contract. Watch 1959 for more pioneering in this field. The feed companies sell this type of financing paper to a bank or keep it themselves.

Well, so much for the agricultural outlook. The banks should have a fairly good year in 1959, however, expenses will be going up. Salaries, Social Security taxes, real estate taxes, bank supplies, and machines all are going up. Savings deposits will increase and interest paid will continue at 3% for the next six months. This interest paid is one of the big single expenses of all Sioux City banks.

From the income side, interest rates charged on loans will hold steady or move up during the next six months. The New York and Chicago banks are not loaned up heavily now as compared to a year ago. However, most of the other city banks and country banks are loaned up to a place where some are selling their loans to the Federal Reserve Bank or their city correspondent banks. Some predict a tight money market by late winter or early spring. We may even see a 4% Government Bond in January or February.

Now, to return to the weather problem. Remember two and three years ago when we had a drought and the rest of the nation enjoyed prosperity, and then this last year, we had bumper crops and the rest of the nation had a recession? National prosperity predictions, therefore, do not necessarily mean that Sioux City will enjoy it.

My predictions for this area will go up to the middle of June and then the weather will control the answers for the balance of the year. Provided we stay out of war and the average American wants to buy new cars and new things, then we should have another good year.

The industrial East and progressive South and expanding West all have their sectional problems just as we do. Last year's recession helped create more efficiency among industry as a whole, as companies watched overhead expenses, etc. This year with an increased demand for their products, they should enjoy good profits. In the Midwest, we feel that the farm support program can be compared to the foreign aid program in that it helps support the industrial East with their exports to foreign lands. These are only two examples of how important a place our Government holds in anyone's 1959 forecast.

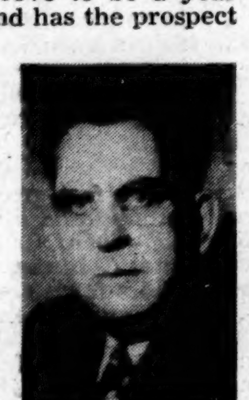
Underlying the entire national picture, however, is inflation which I feel is our greatest economical problem today. Inflation will ruin our country just as it has other countries in the world. We cannot go through a recession like last year and have Congress "prime the pump" which in turn creates more inflation the minute the recession is halted. The tremendous spending our Government does, not only on defense but in foreign aid and farm supports, creates a semi-controlled economy that will eventually lead to serious economic problems and inflation is used as one factor to help solve them. The American voter evidently is not concerned about the trend. Thus, 1959 should be as good a year as Congress and the weather will permit.

In addition, I want to say that I am not worried about 1959, but I am worried about 1969 and the creeping danger of inflation.

R. A. WAITE

Vice-President, United Elastic Corporation

United Elastic Corporation products are used principally by what is termed the soft goods trade. It is the writer's opinion that 1959 will prove to be a year of gradual moving to higher ground and has the prospect of gradual moving toward boom times. Our reasoning is based on the following factors:



R. A. Waite

Population growth will be one of the important reasons for a rise in business activity. Servicing the soft goods trade as we do, population increases have their impact on our output as it does with other segments of the country's business.

Rising volume of business will bring about an improvement in profits. This in turn will bring confidence to investors and business managers which should spark outlays for expansion.

The downtrend in inventories is very apparent. Shelves are bare and the trend of business, which is on the upgrade, will demand a stepup in production. This stepup will result in the adding to the overall spending in the country.

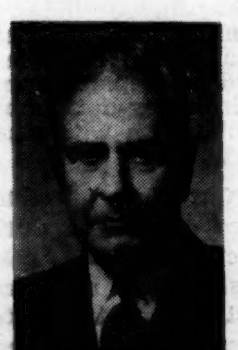
There will be added factors such as more employment, government spending, and new plant and machinery investments.

All indications point to 1959 being a good year for our industry.

CLOUD WAMPLER

Chairman of the Board, Carrier Corporation

American industry is entering 1959 with a business recovery well under way and a more confident attitude on the part of consumers than was the case a year ago. However, there are certain basic problems facing the economy which cause deep concern. Much of the present high level of business is due to government programs, the cost of which are contributing to an unbalanced budget and its attendant monetary problems. If the government is to avoid inflation, as it should, then there is bound to be some reduction in the total volume of business.



Cloud Wampler

Another important factor is the continuing wage spiral which is reflected in ever mounting costs. At the same time there is considerable excess productive capacity and the resultant competitive pressures make if difficult if not impossible to reflect added costs in selling prices. Accordingly, corporate earnings are squeezed and it is unlikely that there will be much recovery in the important capital goods industry in 1959, or as long as this troublesome situation continues.

Nevertheless, ours is a dynamic economy. Moreover, the principal markets served by Carrier Corporation enjoy a rate of growth which is greater than that of the economy as a whole. For these reasons somewhat higher volume of sales is expected in 1959. In addition, the success already achieved in reducing costs holds promise that continuing efforts in this direction will produce a further gain in earnings.

One especially promising sales area is that of residential air conditioning. Housing starts are up and recent product developments make it possible to air condition more lower cost homes. Furthermore, the existing homes market has scarcely been scratched.

Carrier's position in the residential market is being strengthened by the addition in 1959 of an air conditioner using gas for both heating and cooling, and comparable in over-all cost to conventional equipment.

Another important field which is virtually untapped involves the air conditioning of manufacturing establishments for the comfort of employees and their greater productivity. The evidence is clear that indsutry will continue to invest in plant equipment which will make possible better quality products at lower cost. Air conditioning is a vital part of such programs.

During 1958 there was a lull in the placing of orders by utilities for power generating equipment and by other industries for heavy machinery of the types made by Carrier, including those of the former Elliott Company, merged into the corporation in 1957. It is anticipated that this business will improve. Centainly the growth in population will produce a very substantial increase in the consumption of electricity, as well as in the production facilities of certain other industries served.

Carrier's confidence in the future is clearly indicated in two important management decisions. First, the capital expenditure budget for 1959 call for the investment of more money than in 1958. Practically all of this will be spent for the improvement of manufacturing facilities and more efficient warehousing.

Second, the corporation has budgeted for 1959 a 31% increase in expenditures for research and long-term development. For Carrier continues to believe that the success of any industry is dependent to a very large extent upon new and improved products and proposes to maintain its position of leadership in those areas.

C. O. WANVIG, JR.

President, Globe-Union Inc.

Globe-Union 1958 earnings should equal or exceed those of 1957 despite an approximate 10% sales decline.

This improvement in earnings ratio along with a reduction in indebtedness is a direct result of increased operating efficiencies and inventory controls. Continued emphasis on these will be increasingly vital for both the battery and electronic industries in the highly competitive period ahead.

C. O. Wanvig, Jr.

In that period we will undoubtedly see the sales momentum from the 1958 fourth quarter carry over well into the first half of the new year.

The year 1959 should establish satisfactory sales and earning levels if government, management and labor do not succumb to the inflationary pressures of rising costs and higher taxes to a point where the confidence of the consuming public is undermined. This and renewed emphasis on returning to the "old-fashioned" standards of quality and service is industry's challenge in 1959.

The American economy does not offer an automatic built-in growth factor for any industry, and this is particularly true in the competitive automotive industry and the volatile electronics industries of which we are a part. Continued growth in these industries can be accomplished only by coordinated management team efforts to meet the challenge of the tremendous marketing opportunities ahead.

We have faith in the future and to demonstrate that faith we are continuing to invest in an orderly long-range program of research, development and expanded facilities.

D. N. WARTERS

President, Bankers Life Company, Des Moines, Iowa

With the great improvement in economic conditions in our country, life insurance faces a prosperous 1959. The recession difficulties of 1957-1958 and the ravages of inflation have brought a growing recognition of the importance of thrift and savings.

D. N. Warters

The American people and our government authorities are showing a rapidly increasing determination to stop inflation and it can be stopped. As more people become increasingly aware of its causes and the harm it does to our economy, there is increasing pressure on the government to take the necessary steps to stabilize our dollar. There is growing support for our Federal Reserve Board in the actions they are taking to prevent an increase in the supply of our money and bank credit beyond the rate of savings. There is growing pressure for balancing our Federal budget, even though it means an increase in taxes or a postponement of some of the government programs which have been inaugurated in recent years.

Our government authorities, our economists, our bankers, and our business leaders are all warning us that the amount our government, and we as a people, can spend on improving our capital equipment (our housing, our roads, our factories, our public buildings, etc.) is measured by the amount of our national savings. Any attempt to spend more than our national savings results in inflation and destroys part of the value of

our dollar. Savings are the life blood of our progress and must be encouraged in every way possible as only thus can we continue to improve our standard of living.

Life insurance purchases are one of the primary avenue of savings. In the current atmosphere, it is incumbent that the industry do everything possible to increase the volume of life insurance. Not only does an increase mean increased protection for families against the emergencies of life, but it adds to the pool of savings which measure the progress in our standard of living.

Under all of these circumstances, we look forward to increased sales of life insurance in 1959 and the prosperous condition of the economy will mean satisfactory returns on the savings so invested.

CHARLES A. WARD

President, Brown & Bigelow

The year ahead shows signs of steady business recovery. We do not expect a sensational upturn, but commitments already made indicate over-all gains in highway, school, and public building construction, automobile sales, spending for consumer services, and replacement of inventories.

Charles A. Ward

Advertising budgets will be revised upward in a bid for this business. In less than a month of selling, our new line has racked up orders for more than 8½ million dollars in our Remembrance Advertising products, largely for delivery next fall. Most of these orders are for calendars.

JOHN F. WATLINGTON, JR.

President, Wachovia Bank and Trust Company, Winston-Salem, N. C.

The uncertainty which prevailed in the business outlook of a year ago has been largely replaced by cautious optimism in regard to 1959. Observers feel that it can be a good year of business, with the present upward trend likely to continue throughout most, if not all, of the year.

J. F. Watlington, Jr.

Starting from 1958's low point, the gains made by year-end 1959 may be quite impressive, and the economy as a whole can show new record measurements. Naturally, the accuracy of this appraisal will depend on whether crippling strikes are called in basic industries, the renewal of inflation and boom fever is prevented and the international situation does not worsen or explode in war.

Business can face the year with confidence but not with complacency. The threat of inflation is a real and present danger, and businessmen should join wholeheartedly in the fight to combat and control inflationary forces. The principal battleground in this struggle will be in the area of public spending on all levels—local, state and national.

What we all desire are real gains in the economy which can be reflected in a better standard of living and in stable business conditions. Inflationary increases not only do not achieve these things but they rob us of true prosperity.

The pressure for more government spending, much of it unnecessary and wasteful, continues to mount. This is the fuel that fires inflation, and inflation is the fire that can burn out our economy as well as rob us of national security by setting us on the road to economic chaos.

How we handle this problem, as businessmen and citizens, will determine whether we can rise in 1959 and subsequent years to new levels of economic growth and achievement or whether we shall simply initiate a fast and furious inflationary display whose consequences might be immeasurably great nad eventually disastrous.

In the Carolinas, the 1957-58 recession did not go as deeply as in other section of the nation. Total business volume was at an excellent level during 1958, and gains were made in several lines. It was a near-record year in agriculture, and the major industries in the region reported successful operations. In textiles, the largest industry in the Carolinas, demand for textile products increased in the second half of 1958, and a majority of mills are now sold into the second quarter of 1959. Textile men are expecting a moderately better, but not a boom, year in 1959.

The Southeast is continuing to attract a growing number of new and growing industrial plants. In North Carolina alone last year, a record-breaking investment of $253,000,000 for 423 new or expanded facilities was recorded in 1958. These will provide 21,757 new jobs with a combined annual payroll of $72,000,000.

The significance of this achievement cannot be overstated. Not only does it mean a stronger regional economy for the present, but the acquisition of new industry on a broad basis is of the greatest importance as the Southeast continues its transition from a predominantly rural and agricultural economy to a highly urbanized and industrialized area.

People in the Southeast are working together at all levels to sustain this industrial growth and at the same time to foster and advance programs which diversify and strengthen our agricultural establishment. With the gains that have been made and those that appear on the horizon, the Carolinas and the Southeast can be expected to continue in the years ahead to expand their economy, provide greater opportunities and rewards for their people, and maintain their outstanding record of progress and growth.

JOSEPH C. WILSON

President, Haloid Xerox Inc.

Although the pace of recovery from the low of early 1958 has slowed a bit, I believe that our economy will continue to improve through 1959, probably somewhat irregularly, and that the index of industrial production will reach a new high by the end of the year. Measured by industrial production, business in 1959 will be 8-10% better than in 1958. In short, I'd characterize 1959 as a year of generally good but not booming business. This forecast, of course, assumes continuation of world peace.

J. C. Wilson

In 1959, therefore, the office equipment industry will be operating in a more favorable business climate than was the case last year. Yet, in 1958, total sales of the industry were up about 8% over 1957 as the result of sales of new cost-cutting devices which more than made up for the losses in sales of conventional items. Our experience last year followed that of the industry. We expect to see an improvement in 1959. More specifically, we expect an increase in income from our newer automatic xerographic equipment which is now proving its usefulness in relatively few offices and factories and that sales of our older products will be somewhat better than in 1958. Therefore, we are budgeting good gains in both sales and net income for 1959.

F. B. WHITMAN

President, Western Pacific Railroad

We at Western Pacific expect 1959 to be a good year for the railroad industry.

We base this belief on two major factors, first, the accelerating recovery from the 1958 business recession, and, second, the belief that a better legislative climate for the rails is on the way.

F. B. Whitman

No comment is necessary on the former, as it is increasingly evident. However, some explanation may be necessary on what I term a better climate for the railroads.

They have had an increasingly hard row to hoe during the past few years. Competition by air, highway and water has been subsidized by government in countless ways. Heavy taxes paid by the rails have even been used in part to pay these subsidies. Railroads have not been allowed to take advantage of their inherent advantages with rates low enough to return lost traffic to their rails, but high enough to return a good profit, on the grounds that this would be detrimental to highway competition. They have borne a much heavier burden of regulation than their competitors. In short, the railroads have had a hard struggle, largely because they have been over-regulated and over-taxed.

The industry, seeking simple justice, has tried, for quite a while, to explain this situation to the American people and particularly to the law-making bodies. We have been only partly successful. A recent, carefully taken opinion poll has shown that we have alerted the public to the fact that the railroads are in trouble, but we have not succeeded so well in explaining the causes. The poll also showed, however, that about 75% of the American people either favor or have no objection to the railroads' getting a better deal.

The Transportation Act of 1958, passed by the recent Congress, was, the industry feels, but a first step in correcting this inequitable situation. One of its most important provisions established a committee to make a searching examination of the need for additional legislation. As a result, among measures which may be expected to be introduced in the next Congress are bills in the following areas:

Diversification—To provide that railroads be allowed to provide services by truck, airplane and barge on the same terms that apply to anyone else, and that the same freedom to diversify should be granted other carriers, as well. Such coordination would eliminate many duplicated facilities, cut over-all hauling costs and offer shippers new peaks of service.

User Charges—Where public money is spent to provide and maintain air, water and highway facilities that benefit commercial interests, adequate user charges should be assessed by the government.

Taxation—Relief from increasingly burdensome state and local taxes on railroad properties is urgent since railroads must compete daily with carriers using tax-free airways, highways and waterways. Another obvious need is for repeal of the wartime excise tax of 10% on passenger tickets.

Plant Improvements—A shorter write-off period for Federal tax purposes of money spent for new plant and equipment would help assure an expanding and improved railroad system to meet the growing needs of commerce and national security. Also necessary is the revision of existing law to allow railroads to establish construction reserves similar to those in the steamship industry. Such legislation would provide that a railroad, before computing its income tax, could set aside out of net income an amount not in excess of that allowed by the ICC as normal depreciation to be put into a so-called construction reserve. If the railroad did not spend this money for modernization of plant and equipment within five years, it would be restored to income and taxed. If it did make such use of the money within five years, the deferred taxes would be made up in future years, because the depreciation involved would have been already written-off.

Turning to the immediate outlook for Western Pacific, we estimate that our gross revenues for the first six months of 1959 will be up about $1,000,000 or some 4% over the corresponding period of 1958 and that our net for the same interval will be up about $340,000. We expect the whole year 1959 to be a good one, possibly even better than conservative forecasting allows us to count on.

C. E. WOOLMAN

President and General Manager, Delta Air Lines

Despite many problems confronting the airlines—financing and introducing jet transport service, the wage-price spiral, inadequate earnings due to an unrealistic fare structure—1959 opens on a more hopeful note than last year. The airlines will benefit from the upswing in business forecast for the next six months and, should the economic trend continue upward as expected during the second half of the year, the industry's 1959 revenues should improve.

C. E. Woolman

Several domestic trunk carriers—including Delta—will feel the effects this year of recently authorized multiple competition over major routes. As an example, between Chicago and Miami, three carriers will compete where two previously operated. And between Atlanta and Miami, five carriers will compete for traffic. Over the segment of that route between Tampa and St. Petersburg and Miami, seven trunklines will fly. This may be contrasted with the heavily traveled Miami-New York route, over which only three carriers compete.

The policy of certificating multiple competition over airline routes already adequately served poses serious problems. It could well lead to economic chaos in the jet age unless it is abandoned. With the introduction of domestic jet service imminent, it is imperative that the Civil Aeronautics Board reevaluate the economic problems caused by authorizing multiple competition over existing routes.

Economic disaster is likely to be the outcome of a federal regulatory policy which views the airlines as long-established public utilities in setting rates but treats them in route matters as unregulated enterprises.

Last year's 6% fare increase granted by the C.A.B. provided the slim margin which meant the difference in a profit or loss operation for some carriers. But this modest upward revision of fares has been more than offset by subsequent wage increases granted by the industry. The industry's basic problem is still unsolved: how to boost earnings to the point where the airlines can compete on more equal footing with other industries for equity capital.

Delta has completed financial arrangements for our jet program, and as a result of advance planning we will be in position to inaugurate jetliner service this Fall. Delivery of our first Douglas DC-8 transports is scheduled this Spring, and we expect to have all of our fleet of six in operation by the time deliveries of our fleet of ten Convair 880s begin in January, 1960.

Delta's revenues in the latter part of 1958 were somewhat improved as a result of labor difficulties encountered by competing airlines, and we anticipate satisfactory earnings for our current fiscal year which ends June 30.

Our gross revenues for the six months ending Dec. 31, 1958 will approximate $49 million, an 18% gain over the same 1957 period. Operating revenues for calendar 1958 will exceed $95.5 million. This represents a 13% increase over the previous year. At the same time, available seat miles rose 7.81% to 2.5 billion, and revenue passenger miles increased 5.16% to 1.4 billion. Our load factor for the year was 58.04%. Earnings for the first five months of the current fiscal year (July through November) totaled $1,397,000, against $297,000 for the same period in 1957.

For calendar 1958, Delta registered a 33% gain in air-freight, 19% in mail, 16% in passengers, and 11% in express.

As a result of new route authority granted in the Great Lakes-Southeast case, eight new cities were added to Delta's system and a greatly increased traffic potential opened to us. These cities are Dayton and Columbus, Ohio; Louisville, Ky.; Orlando, Tampa, St. Petersburg, Clearwater, and West Palm Beach, Fla. For the first time, also, Delta is permitted to serve Detroit and Indianapolis on direct flights from Atlanta and other Southeast cities, including Miami.

The addition of a Birmingham-Memphis segment on Delta's route 24 will permit us to link Kansas City and St. Louis via Memphis with Atlanta and Florida resort cities. We are already serving some of these cities and we have plans to expand our service pattern to include all of them during the next few months.

The addition of these important air travel markets will strengthen Delta and enhance our opportunities for con-

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tinued growth. At the same time, we will be enabled to serve the public better by linking the expanding industrial South and the great centers of industry in the Great Lakes area and the Middle West.

A. G. WOODLEY

President, Pacific Northern Airlines, Inc.

Within the life span of the present generation, Alaska has changed from an isolated and dormant frontier wilderness into an area of vigorous economic activity. This rapid growth is merely prologue to the dynamic commercial development which will stem from statehood.

A. G. Woodley

When Alaska was formally admitted to the Union at the beginning of 1959 it ranked among the 49 states as the youngest but the largest, the least populated but the fastest growing, the least developed but the richest in natural resources, the farthest remote but the most strategically located, the most primitive in surface transportation facilities but the farthest advanced in commercial aviation. Alaska's future can be comprehended only in terms of these superlatives and contrasts.

Sparce population and lack of investment capital are the two main factors tethering Alaska's economic development. Both factors result from ignorance of the area's vast resources and unparalleled opportunities. The battle for statehood has now thrust Alaska into the spotlight of national publicity and many popular misconceptions have already been dispelled.

The same powerful forces which led to the settlement of the West in the late 19th Century are now concentrated in the North. Within the next five to ten years, Alaska's population will double and will continue to grow at an accelerated rate. Awakening interest in Alaska's vast natural resources is acting as a strong magnet for investment capital, and huge projects are already underway for tapping rich petroleum and mineral reserves, for harnessing unlimited hydro-electric resources and for constructing pulp and paper and timber enterprises. These ventures of private capital are coupled with vast Federal expenditures for missile bases to secure Alaska as the keystone of hemispheric defense.

The surge of air travel to Alaska reflects these varied facets of awakening national interest. Manufacturers who have boasted representation of their products in all of the 48 states are now flying to Alaska to insure coverage in the new 49th State. Vacation travellers who have toured the entire country are booking Alaska for their next trip in unprecedented numbers. Businessmen with interests in Alaska, who previously went to Washington when the Territory was controlled by the Interior Department, are now flying to Juneau to confer with the officials of the new state. Within the past year the volume of Pacific Northern's passenger traffic has doubled to Juneau, capital of Alaska and an important point on Pacific Northern's routes

The age of polar flying has just begun. Recognition of Alaska's strategic location astride the crossroads of the world air routes is evidenced by the recent inauguration of operations into Anchorage by Air France, KLM, and SAS. Other major airlines will follow. The traffic carried by Pacific Northern Airlines has increased tenfold within the past decade and is a direct reflection of Alaska's burgeoning economy. An increase of the same magnitude by 1965 would be a conservative estimate.

Pacific Northern, the largest air carrier in Alaska, has continually expanded its services and facilities to keep pace with this growth and development in the 49th State and will continue to do so for the years to come. Pacific Northern is well aware of its responsibilities as it enters its 28th year as a "Partner in the Progress of Alaska."

The year 1958 was one of the most successful in history for PNA with substantial increases noted in every class of revenue. The year also saw the inauguration of air express service to all cities on PNA routes in the new 49th State, and the acquiring by the airline of additional pressurized equipment to be put into service early in 1959.

HOWARD I. YOUNG

President, American Zinc, Lead and Smelting Company

1958 was an unsatisfactory year for the nonferrous metal industry, as well as for most other domestic heavy industries. While shipments of zinc from domestic smelters to consumers were approximately the same in 1958 as they were in 1957, consumption, which included metal produced from both domestic smelters and imports, was approximately 12% below 1957.

Howard I. Young

The price remained at the low level of 10 cents a pound during the first nine months and during this period imports from foreign countries were substantially reduced.

The government placed import controls on slab zinc and zinc concentrates the latter part of September and since that action was taken the price advanced to 11½ cents a pound. This price is still below the cost of production of a large percentage of the presently developed mines in the United States and, as a result, a number of mines were idle throughout the greater part of the year.

There has been a substantial increase in consumption during the last half of 1958 and the fourth quarter consumption will be about 20% more than the third quarter.

Outlook for 1959

Assuming that we have no mid-year strike in the steel industry and production and sales of automobiles are in line with the estimates made by authorities in the automotive field, we anticipate a continuation of good demand for zinc products and fully expect that 1959 consumption will be approximately 15% above 1958.

One of the most encouraging new factors in our industry is the continued joint cooperation of the domestic zinc companies with the zinc producers in Canada, South America, Australia, England, and part of Europe in a development program for the purpose of finding new uses and expanding uses in the present consuming industries. This development program with special product research will, no doubt, result in not only increased uses in the United States but also in increased consumption in the foreign countries where the present consumption per capita is substantially below U. S. A. consumption.

Continued from first page

Stock Market Outlook

thing, talk about anything, or even go to the office any more." How right he was.

This is obviously a very distorted period the market is going through; yet it is also a very exciting and challenging one. Not only must we pay close attention to the basic trend of earnings, dividends and other time tested methods of market evaluation, but we must also watch very carefully for possible rapid changes taking place in the psychology of the investing public. We have seen what an influence the whims and moods, and especially the vivid imaginations of some individuals, has had on the price action of the so-called glamour stocks. Every day there are various rumors about stock splits. Someone has advertised that there are 82 candidates for splits this year. There also have been so many unfounded stories about missiles, rockets, exotic fuels, new inventions and so forth traveling around the Board Rooms, that not even a Buck Rogers, or a Captain Video, could keep up with it all. The buying momentum generated by some of these stories and rumors, plus other new purchases being made for legitimate investment purposes, as well as the persistent, inflationary fear psychology, has been primarily responsible for pushing the Dow averages close to another new high around the 600 level. The obvious questions now are how far ahead has the business recovery been discounted already, and what lies in store for the stock market in 1959?

Difficult Month to Forecast

Before attempting to give my own humble opinion on these subjects, I should like to point out that there is an unusual amount of rather understandable caution right now among well-informed analysts, economists and others, whose livelihood depends a great deal on their ability to diagnose correctly the trends of business and the stock market. However, such caution seems understandable, and it is always especially prevalent at the start of any new year, because January is considered to be a rather tricky, "off" month. It is a month when the final corporate results of the preceding 12 months are being reported, digested and discounted, yet it is much too early to form any clear-cut opinion about business and market trends for the balance of the year. Investors are also notably a little more cautious at this time of year, because history shows that, seasonally, the winter months have been bear months in the stock market, just as November and December and the early summer months have usually been bull months.

All of us are generally familiar with the various well-known factors that paced the market higher in 1958 and, if you have read all the recent services and economic reports, you are also well aware of the major reasons being advanced as to why it should continue to carry still higher. Last year very few thought the recession would be so severe and very few thought the recovery would come back so fast. The market optimism heavily outweighs the pessimism at this point. Confidence in the economy remains very high and the business outlook for at least the first six months is very favorable. In fact, there seems little doubt that 1959 will be a bullish year, on balance.

Forecasting is an art, not a science; for, you never can reduce to a mathematical formula anything so variable as human emotions. I can state from experience that you have to have nerves of steel. When you are right no one remembers, but when you are wrong, no one ever forgets. How many will remember the early forecasts of 1959?

Defends Use of Charts

I use charts mainly to help me correlate the many statistical studies prepared by our own Research Department and others, with the current action of many hundreds of stocks that I chart every day. In all markets, the psychological factor is most important, and charts are especially valuable as a market tool for determining and understanding various trends and counter-trends in this rotating market and, particularly, for achieving the correct timing of purchases and sales on individual issues. Of course, I realize that the strict fundamentalist rather disdains the use of charts, but used intelligently and interpreted correctly, they do tell a story about the buying and selling attitude of investors towards a stock. They also tend to measure the speculative confidence towards a trend in the market. However, any one who relies on charts exclusively, without basic statistics, is likely to be led down some pretty dark alleys; and I might add, there are many times when you will feel like throwing them out the window. They are invaluable, nevertheless, for measuring the mass waves of optimism and pessimism, which compel people to act either wisely or unwisely, and they also help to clear away the fog of confusion and irregularity which may accompany investors attempting to discount future events far, sometimes too far, in advance.

Reviewing the price pattern of the market right now, I consider the following factors to be quite important:

Reviews Market's Price Pattern

(1) Some stocks, especially the higher priced issues, have already discounted, price-wise, earnings and dividends for a long time ahead and some evident distribution is beginning to form on a number of issues. However, it must be clearly stated that there is still no evidence of major distribution taking place in the overall market.

(2) The caliber of most of the recent buying has been excellent. The market leadership and the sponsorship being shown toward individual stocks and favored groups have been very powerful. There are large surplus funds still sitting on the sidelines that have missed this whole advance, and for over a year are still waiting for the big reaction on which to buy. They have been sorely disappointed. There still is also a very large short position waiting to cover. These two factors alone will continue to support selected issues on all interim price dips.

(3) With margin requirements at 90%, most market positions are held on virtually a cash basis. Volume considerations are favorable—contracting on declines and expanding on advances. The very small floating supply of many issues has been responsible for very thin markets and for the wide price swings which are constantly taking place, especially in the higher priced, top quality issues. This, incidentally further distorts the averages.

(4) The high selectivity of the market and the continued rotation going on between specific stocks and groups, together with a lack of speculative excesses—except in a few lower priced issues—are really elements of strength and not weakness, which continue to support the market at this point. Incidentally, the action of the lower priced stocks reminds me a little of the early part of 1946, when the expectation of much higher earnings carried the market to a peak in May.

(5) New and aggressive leadership has come to the fore after all minor price dips so far, and a large number of previously dormant and relatively neglected stocks have broken out of strong, long-term, technical base patterns on the upside, or seem just about ready to do so. This generates a favorable climate for a continuation of the bull market and is certainly not a sign to indicate the start of any protracted setback.

While all these bullish technical market factors added right now to some very favorable business items, represent an extremely attractive picture indeed, investors should remember that Wall Street runs from West to East between a graveyard and a river, and that the stock market is no place for complacency. History shows how quickly sudden phases of optimism can revert to pessimism, or vice versa, and we had a good example of this last year when the pendulum swung suddenly to the bullish side.

Reviews Bearish Factors

Right now, those who are bearishly inclined are paying close attention to the following factors:

(1) If any early future change takes place in the Federal Reserve Board's monetary policy it may be directed towards a further tightening up of credit. Board Chairman Martin's point of view is definitely anti-inflation and you can be sure he will make every effort to prevent any runaway business, or stock market boom.

(2) The leapfrogging action between spiraling wage costs and consumer prices poses a very dangerous economic threat that may be further aggravated by the outcome of the steel industry-labor talks next spring.

(3) The factor of world political unrest still overhangs the market.

(4) The presently unknown sales figure of the automobile industry may fall short of a 5½-6 million car year.

(5) Any further advance by the market depends heavily on the expectation of higher corporate earnings and dividends. If the final results for 1958, or those to be reported for the current quarter of 1959, fail to satisfy bullish expectations, the disillusionment would surely spark a very sharp reaction in the stock market.

The Dow Industrial averages earned an estimated $27 in 1958.

They are selling about 21-22 times earnings, and yielding 3.6% on present dividends of only $20. You need quite a pickup in earnings and an increase in dividends to justify present levels. Even if earnings in 1959 equal the 1957 result of $36, the Industrials would be selling at 16 times earnings, which on the Dow is slightly on the high side. So the market must be anticipating earnings above $40 on the Dow for 1959, and I don't know about that as yet. So, the advance appears to have temporarily out distanced the business recovery and many stocks seem to have already discounted a more favorable earnings trend than appears justified.

At this point I want to emphatically state that I just don't know where the Dow Industrial averages are headed — perhaps 1,000 as a number are forecasting. However, I try very hard to convince the present day investor not to watch the averages. I know of one top investment counseling house that fires anyone who backs his market analytical decision on the averages. So, while the Industrial averages right now seem to be high as a "guestimate" they may carry slightly above 600 to the 605-610 area and the Rails to the 170-175 area before any important setback takes place. I am still quite definitely bullish on the future action of many individual stocks, which have still not fulfilled their indicated price potential, and which seem destined to take over an increasing share of the leadership from some of the past favorites, which seem temporarily over-exploited.

In this connection, I believe that any casual, or generalized, approach to the market which may have worked last year, won't work in 1959. By the same token, the leadership shown by last year's speculative favorites will be taken over by other issues. The significance of the various averages, except as a vague yardstick of market measurement, will probably continue to decrease. In this market where the search for attractive yield and undervaluation promises to increase, you must be an expert and highly selective marksman to choose and hit the right target, and you must learn to use a rifle instead of a shotgun. For a long time now, it has been more important to pick the right stock, or group of stocks, than to worry about where the averages will sell.

Now, no report or talk on the market should end without specific comments on groups of stocks and individual issues. Although I can see the general market working gradually into new high ground, the same broad areas of under-valuation are not so much apparent today, as they were a year ago, at this time. However, investment opportunities are far from exhausted. Remember that careful selectivity, together with the proper timing of all purchases made, is most essential, or to put it another way, using the chart approach, "Buy stocks when they say they should be bought." I submit the following brief opinions on the market action of individual groups and stocks for 1959:

Air Conditioning: An improved inventory position, together with the general business recovery and the possibility that summer weather this year will be hotter than in the past three years, has sharpened the near-term outlook considerably. I favor Carrier as the outstanding issue in the group and consider Fedders very attractive as a speculation.

Aircraft: Defense economy measures have the industry in a state of flux. Best situated companies are those that are well managed and sufficiently financed, with the necessary research and development organizations to produce outstanding products. In this connection I especially favor the purchase of Northrop; General Dynamics on any further weakness; and Boeing which looks like a good buy in the recent price area.

Airlines: Rising costs continue to offset higher revenues. Rate increases have been slow and inadequate, and the financing of jet airliners is another problem facing the industry. Despite the prevailing uncertainties, the following seem like interesting purchases for long-term holding: American; Pan American; Capital; United; and Eastern.

Autos: I estimate domestic production this year in the area of 5½ to 6 million cars, against 4.2 million in 1958. Economy car production may total 500,000 units this year. General Motors seems to be the best situated among major producers. They raised prices earlier last year during a period of reduced costs and, while they may only earn a little over $2 in 1958, they could earn over $3 in 1959. Ford is doing well and could earn between $4 and $4.50 this year. Both these stocks should work higher in price during the coming year. Recent market prices of auto parts issues seem to be adequately discounting 1959 prospects. Would therefore favor those companies which are most active in the replacement parts market, such as Borg Warner; Dana; Champion Spark Plug; and Clevite.

Building: A continued high level of activity seems likely. Despite credit tightening, home construction should remain at about the same level as in 1958. The decline in industrial building is tapering off. Favor Johns-Manville; Philip Carey; Permanente Cement; and U. S. Plywood. Hold, but defer new purchases, of Otis Elevator and Flintkote for the present.

Chemicals: The near-term outlook is clouded by overcapacity in some lines, relatively fixed prices, higher costs and competition, but longer range prospects are very favorable. Favor Monsanto; Olin Mathieson; Diamond Alkali; and Koppers.

Drugs: Despite the favorable outlook for further growth, this group, pricewise, seems relatively unattractive right now. Defer new buying, but hold present long-term investment position in Merck; Schering; Sterling Drug; Bristol-Myers; and Vick Chemical. Carter Products looks like an interesting long-term growth stock.

Electrical Equipment and Electronics: A dynamic industry entering a phase of spectacular growth. Would hold or buy the following on all minor price dips: Radio; Westinghouse; General Electric; Tung Sol; Wagner Electric; Square D; and, as speculations, Philco and Consolidated Electronics.

Farm Equipment: The farm equipment outlook is not as favorable as this time a year ago. However, continue to favor holding Deere and also like International Harvester for good yield. Case has speculative possibilities.

Foods: Sales are pointed higher and further growth seems assured. Would hold General Foods and Standard Brands but only make new purchases on a 5% to 10% setback from recent price. Foremost Dairies looks attractive as a businessman's risk.

The Metal Issues

Copper: The copper situation has improved immensely in the past six months. Consider Anaconda the best in the group and also like Phelps Dodge; Cerro de Pasco; and Inspiration Copper.

Aluminum: Long-term outlook for aluminum is probably the brightest of any metal and continue to favor investment holding or new purchases of Reynolds Metals and Aluminium Ltd. on dips from recent levels of 72 and 32, respectively.

Steels: Operations should trend higher through the first and second quarter and earnings should compare very favorably with like results of a year ago. Armco; Allegheny Ludlum; Granite City Steel; and Jones & Laughlin seem attractive in the group right now. Three speciality steels I favor are Fansteel; Sharon; and Vanadium. Colorado Fuel & Iron has speculative possibilities.

Oils: With all the well known unfavorable factors in this industry, I believe that a lot of price discounting has already taken place and improvement shown during recent months suggests a resumption of former growth trends in 1959. I favor Sinclair; Phillips; Ohio; Cities Service; Socony; Texas; Shell; Royal Dutch; Atlantic Refining; Standard Oil of Indiana; and Union Oil of California on an investment basis.

Paper: While demand is not expected to catch up with supply until 1960-61, when the full earnings potential from plant capacity may be realized, the following seem attractive at current levels: Union Bag; West Virginia Pulp; and Crown Zellerbach. Rayonier in the pulp business looks like a good speculation at current levels.

Rails: Expect considerable improvement in operating results of railroads serving industrial areas and some relief from the burden of heavy losses from passenger business appears likely. Favor Baltimore & Ohio; Nickel Plate; Great Northern; Illinois Central; Chicago, Rock Island; and as a good speculation, Reading.

Rubber: The anticipated sharp recovery in original equipment tire sales and the uptrend in replacement sales are favorable factors to consider for 1959. Goodyear still seems the most attractive on a long-term basis. Hold U. S. Rubber and Goodrich. Mansfield Tire, a smaller manufacturer, has good speculative possibilities.

Soft Drinks: A substantial upturn in sales and earnings is looked for this year. On any minor price weakness would buy Coca-Cola; Pepsi Cola; and Canada Dry.

Textiles: Firmer prices for many types of cloth lend cause for optimism toward the industry. Buy/hold J. P. Stevens; Burlington; American Viscose; Celanese; United Merchants; and Industrial Rayon for further expected market price recovery.

Tobacco: With sales and earnings trending higher continue to regard Reynolds Tobacco "B" and Philip Morris, on recent diversification moves, as outstanding purchases in the group.

Other individual stocks I like in a few other groups are:

Meat Packing — Armour and Wilson.

Machinery—Joy Manufacturing and Combustion Engineering.

Shipbuilding — Newport News Shipbuilding and Bath Iron Works.

Movies — Twentieth Century-Fox.

Liquor—National Distillers.

Rail Equipment — ACF Industries and Alco Products.

Gold — Homestake Mining and Dome Mines.

Packaging — Standard Packaging.

Business Machines—Burroughs.

The following 10 additional lower priced stocks look interesting for price appreciation:

Calumet & Heckla; Lear; Oliver Corp.; Avco; Decca Records; Baldwin; Crowell Collier; Fruehauf Trailer; Standard Coil; Greyhound.

Conclusion

(1) While no major distributive top has had time to form as yet, I am certainly going to be on the lookout in the period just ahead for some kind of a temporary interruption to this January re-investment phase of the advance. This could take place in the next two weeks and somewhere between levels prevailing at this writing and possibly a new high slightly above 600 on the Dow Industrials and between present levels and perhaps as high as 170-175 on the Dow Rails.

(2) I very much doubt that any such phase of correction will exceed a mild 5%, and will hold above the 560-570 support area on the Dow Industrials and 158-160 on the Rails.

(3) As stated before, I expect 1959 will be a bullish year, on balance. But no advance such as the 34% gain on the Dow Industrials that took place last year is anticipated for this year.

(4) I believe that new leadership will take over with groups of stocks that have been dormant for a long time suddenly coming to life. In these groups I would include, among others, the airlines, textiles, domestic and international oils, air conditioning and soft drinks.

(5) Finally, as an analysts old piece of advice: "Keep your head in the stars, but try very hard not to get lost among the interplanetary wonders of the next decade. In other words, also keep your feet firmly planted on the ground!"

Detroit Stock Exch. Elects New Officers

DETROIT, Mich.—The Detroit Stock Exchange announces the election of the following officers for 1959:

PRESIDENT: Roy W. Neil—Andrew C. Reid & Co.

VICE-PRESIDENT: Charles E. Exley—Chas. A. Parcells & Co.

TREASURER: John K. Roney—Wm. C. Roney & Co.

Announcement was also made of the reappointment of M. Edward Denny as Executive-Secretary & Examiner and Betty N. Suiter as Assistant-Secretary.

GOVERNORS elected to the Board for a three-year term: Peter M. Macpherson, Detroit Stock Exchange; Roy W. Neil, Andrew C. Reid & Co.; John K. Roney, Wm. C. Roney & Co.

GOVERNOR elected to the Board for a one-year term: Harry A. McDonald, Jr., McDonald, Moore & Company.

The other Governors making up the Board are Walter A. Bayer of F. J. Winckler Company and Lawrence H. Dilworth of R. C. O'Donnell & Company, whose terms expire in 1960; Charles E. Exley of Charles A. Parcells & Company, Henry A. VanderVoort of Nauman, McFawn & Company and Frank E. Voorheis of Goodbody & Company, whose terms expire in 1961.

William A. Walker of Dickinson, Wright, Davis, McKean & Cudlip will continue as Counsel and Edwin Bower of White, Bower & Prevo will continue as Auditor.

Elected to the Nominating Committee for 1959 are: Frederick H. Beard, A. H. Vogel & Co.; Donald B. Fisher, D. B. Fisher Co.; Samuel Hague, Smith, Hague & Co.; Raymond C. O'Donnell, R. C. O'Donnell & Co.; William R. Rotsted.

C. A. Dager Opens

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Charles A. Dager has formed Charles Andrew Dager & Company, with offices at 1308 Wilshire Boulevard, to engage in a securities business. Mr. Dager has recently been with Wolcott & Associates. Prior thereto he was with Oscar F. Kraft & Co. and was with Smith-Hague & Co., of Detroit.

Shields Group Offers Borman Food Shares

An underwriting group managed by Shields & Co., offered publicly yesterday (Jan. 21) 404,900 shares of common stock of Borman Food Stores, Inc. at a price of $16.75 a share.

Net proceeds from the sale of 304,900 shares will not go to the company; these shares are being sold by a group of over 65 stockholders—some of whom are company executives — who will continue to own an aggregate of 702,760 shares.

The remaining 100,000 shares are being issued and sold by Borman Food Stores which will add the proceeds to general funds where they will be available for costs of inventory and equipment and for repayment of short-term bank loans. Outstanding common stock will thus be increased to 1,119,510 shares, $1 par value.

Borman Food Stores operates a chain of 33 retail food supermarkets in the greater metropolitan area of Detroit, Mich. under the trade name "Food Fair." The stores have no connection with stores operating under that name outside the Detroit metropolitan area. During 1958 seven new "Food Fair" stores were opened; six more are under construction for openings in the first half of this year and an additional six are planned for the last six months of the year.

Directors have declared an initial quarterly cash dividend of 12½ cents per share payable April 10, 1959. The selling stockholders have agreed, that following this offering, no stock retained by them will receive cash dividends prior to Feb. 1, 1961.

Net sales of the company in the 18 weeks ended Nov. 1, 1958 were $26,078,000 and net income came to $524,000, compared with $21,425,000 and $379,000, respectively, in the similar period ended Nov. 2, 1957. In the company's latest complete fiscal year, ended June 28, 1958, sales were $67,074,000 and net income came to $1,104,000.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates on Jan. 20 offered an issue of $4,200,000 Chicago, Burlington & Quincy RR. 4⅝% equipment trust certificates maturing semi-annually Aug. 1, 1959 to Feb. 1, 1974, inclusive.

The certificates are priced to yield from 3.50% to 4.40%, according to maturity.

Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The issue is to be secured by 100 covered hopper cars and 16 diesel-electric units of 2,400 h.p. each, estimated to cost $5,261,376.

Associates in the offering are: Dick & Merle-Smith; Freeman & Co.; McMaster Hutchinson & Co.; and R. W. Pressprich & Co.

Kidder, Peabody Co. Opens Mpls. Branch

MINNEAPOLIS, Minn. — Kidder, Peabody & Co., well known investment firm, has opened a new Minneapolis office at 1165 Northwestern Bank Building under the management of Dale R. Wikman.

Mr. Wikman has been in the investment business in Minneapolis for 12 years, recently with Reynolds & Co.

Kidder, Peabody & Co. are leading underwriters, distributors and dealers in corporate, state and municipal securities, and members of all principal stock exchanges.

Continued from page 14

Federal Budget for 1960 Is Balanced and Restrained

billion instead of the $67 billion estimated at that time.

The estimate of $77.1 billion in receipts for 1960 is contingent on enactment of the tax recommendations mentioned earlier. Of this estimate, approximately $76.5 billion reflects the increases in receipts under present tax rates and present tax sources while $0.6 billion is from new taxes and increased nontax sources. . . .

* * *

Some of the key features of the President's budget recommendations are summarized herewith:

This budget assures that essential defense needs are met. The budget recommendations will bolster the defense of our country against possible attack and enable our forces to respond more quickly and vigorously to any emergency. At the same time, and as part of our effort to keep America strong, this budget reflects policies to streamline operations, to remove duplication of weapons, to accentuate the principle and practice of unification, and to minimize maintenance costs—in short, to assure the maximum defense from each dollar expended. . . .

Foreign Economic Aid

Today the less-developed nations—a score of which have attained independence since World War II—are struggling to improve their economic and social conditions. The success of these efforts is vital not only to the freedom and well-being of the millions of people within their boundaries but also to the population of the entire world. Fortunately, the free countries of the world are taking many actions together to promote trade with and to expand investment in such nations. As part of this joint effort, the following actions for the United States are recommended:

(a) Increase substantially our subscriptions to the International Bank of Reconstruction and Development and the International Monetary Fund. This should be done promptly.

(b) Bring the capitalization of our Development Loan Fund up to the amount originally recommended for the fiscal year 1959 by enacting a supplemental amount of $225 million.

(c) As a supplement to established institutions, create a joint development banking institution with our Latin American neighbors.

(d) Increase the emphasis on economic development in the mutual security programs through such measures as the appropriation of $700 million for the Development Loan Fund and $211 million for technical cooperation in fiscal 1960.

(e) Enact legislation to expand the mutual security investment guaranty program.

In the current fiscal year, total expenditures for basic and applied research and for scientific development have reached record amounts and a supplemental appropriation for 1959 to advance space technology is recommended.

For the fiscal year 1960, research and development expenditures will be increased still further, with emphasis on space exploration, peaceful uses of atomic energy, and basic science. Extensive space exploration investigations are being initiated, utilizing satellites and probes. Development work is going forward on high-energy fuel rockets, a million-pound thrust engine, and a nuclear rocket engine.

Asks Curb On Outlays for Public Works

Increases were provided last year in construction programs for water resources, health facilities, public buildings, airways, and highways, partly to combat the recession. As a result, Federal expenditures for civil public works in fiscal 1960 will be the highest in history. It therefore seems both possible and prudent to take a breathing spell in the initiation of new projects. Accordingly, no additional funds are proposed in 1960 for starting new water resources projects, general office buildings, and veterans hospitals. Furthermore, reduced new spending authority is recommended for grants for local public and private hospitals, health research facilities, and for waste treatment works, although expenditures under earlier authorizations will continue to be high. Highway expenditures will increase in accordance with the program planned under the Federal Aid Highway Act, and modernization of airway facilities to meet operational and safety needs will go forward at a higher level of expenditure.

The combined outlay for reclamation, flood control, and navigation projects is estimated to be higher than ever before in 1960. Expenditures are expected to increase again in fiscal 1961 and to hold at that level in 1962 even without new starts beyond those for which initial appropriations have already been made. The new water resources projects authorized for starting in 1959 will be so spread out as to schedule initiation late in the year, wherever practicable, and, in a few cases, construction may be deferred until the fiscal year 1960.

Favors Improved Minimum Wage Law

Proposals will be made for widening the coverage of unemployment compensation, for extending and improving the minimum wage and 8-hour laws, and for providing added protection in labor-management relations. I am again proposing legislation to strengthen safeguards on the conduct of labor union affairs, including the strengthening of the law enacted last year requiring public reporting on union welfare and pension plans.

In the housing field, the budget recommends broadening the authority of the Federal Housing Administration and removing the ceiling on the total volume of mortgage insurance it can provide. Legislation is also recommended authorizing capital grants for urban renewal projects for a 6-year period. Annual contributions to local housing authorities for low-rent public housing projects will rise in 1960 as more projects are completed. Commitments by the Federal National Mortgage Association to purchase mortgages on housing for urban renewal areas for relocating displaced families and for the elderly will continue to rise in 1960.

Seeks Flexible Interest Rates on Agency Loans

I recommended that for interest rates on new loans and commitments:

(a) The 4¾% ceiling on loans guaranteed by the Veterans Administration be replaced by a maximum rate not in excess of the rate for mortgages on sales housing insured by the Federal Housing Administration. This change will also have the effect of revising the interest rate ceiling on direct housing loans of the Veterans Administration.

(b) The ceilings of 4½% and 5% for rental (including armed services) and for cooperative housing mortgages insured by the Federal Housing Administration be increased to levels adequate to assure private financing.

(c) The present statutory interest rate of 2% for loans made by the Rural Electrification Administration be replaced by a rate which will cover the current cost to the Treasury of equivalent-term borrowing and other reasonable costs.

(d) The statutory standard for college housing loans made by the Housing and Home Finance Agency (the rate at present is 2⅞%) be amended to authorize a rate which will cover the current cost to the Treasury of equivalent-ter mborrowing and other reasonable costs.

(e) The 3½% ceiling on ship mortgage loans by the Maritime Administration be replaced by authority to charge the full costs of the loans.

Such actions by the Congress will encourage the participation of private capital, and, in the long run, will reduce government expenditures significantly. At the same time, government guaranties or insurance will continue to permit interest costs to borrowers more favorable than the rates charged in the open market for similar loans.

Major National Security Programs

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Total expenditures for these programs are estimated at $4.1 billion. This is $682 million more than was spent for these programs in 1958 but $251 million less than the estimate for the current year. The decrease from 1959 to 1960 occurs chiefly because of the expiration on April 1, 1959, of the anti-recession legislation for temporary Federal unemployment compensation payments. Excluding these temporary payments, estimated expenditures in fiscal 1960 are $161 million greater than in 1959. Significant increases are provided in 1960 for the defense education program initiated in fiscal 1959 and for higher public assistance grants as required by legislation enacted by the last Congress. . . .

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(b) Modify the provisions for aid to schools in areas affected by Federal activities;

(c) Increase State and local participation in the financing of public assistance programs.

Veterans' Services and Benefits

The upward trend of expenditures in veterans' programs is expected to halt temporarily in the fiscal year 1960, mainly because declining workloads result in a decrease of $163 million for readjustments programs which have helped so many veterans of World War II and the Korean conflict to become reestablished in civilian life. Expenditures for disability and death compensation, which have increased in the last several years because higher rates were enacted, are expected to decrease somewhat in 1960 as the number of beneficiaries declines. However, expenditures for other permanent programs are continuing to increase, primarily because more veterans with disabilities not resulting from their military service are receiving hospital and medical care or pensions. The estimated total expenditures for veterans in 1960 of $5.1 billion are $110 million less than in 1959, and $62 million more than in 1958. . . . I believe that certain of our national policies and legislation governing other veterans programs should be modified. This is particularly true of the benefits provided to veterans and their families for disability or deaths not resulting from or related to military service. With veterans and

their families constituting nearly half of our population, the cost of these veterans' benefits is high, and will continue to increase as our veterans advance in age.

Interest on Natural Debt

Interest payments are estimated to rise $495 million to $8.1 billion in the fiscal year 1960. These payments, almost entirely for interest on the public debt, represent more than 10% of budget expenditures.

Since the spring of 1958, market rates of interest have increased, reflecting the strong recovery of the economy. The rise in market rates requires the treasury to pay higher interest on securities issued to refinance the heavy volume of maturing government obligations, a large part of which were issued when interest rates were lower.

In addition to higher interest rates, the amount of interest payments depends on the size and composition of the public debt. It is anticipated that the public debt will reach $285 billion by the end of the fiscal year 1959. On the basis of the balanced budget I am presenting, the debt will be no higher at the end of 1960, although there will be a substantial temporary increase during the year.

Conclusion

This budget charts the course our government should take as we embark on the decade of the 1960's. Since the end of World War II, the pace of achievement and universal change has quickened with each successive year, sharpening the need for adjustments in the relations of peoples and nations to each other. In the decade facing us, the challenges to representative government will be no less than in the past; indeed, the tasks which are certain to be laid upon the executive, legislative and judicial branches will require from each increasing vision, understanding, and wisdom.

This budget is designed to serve the needs of the nation as a whole as affectively as possible. It rejects the philosophy that the national welfare is best served by satisfying every demand for Federal expenditures.

Our objective, as a free nation, must be to prepare for the momentous decade ahead by entering the fiscal year 1960 with a world at peace, and with a strong and free economy as the prerequisite for healthy growth in the years to follow. This can be achieved through government actions which help foster private economic recovery and development, and which restrain the forces that would drive prices higher, and thereby cheapen our money and erode our personal savings. The first step is to avoid a budget deficit by having the government live within its means, especially during prosperous, peacetime periods.

The 1960 budget reflects our determination to do this.

Alexander Smith

Alexander Smith passed away Jan. 14th at the age of 86. Mr. Smith prior to his retirement had been president of Peabody, Houghteling & Co., later Peabody Smith & Co.

Babbage & Kessinger With J. J. B. Hilliard

LEXINGTON, Ky.—Robert A. Babbage and Thomas B. Kessinger have become associated with J. J. B. Hilliard & Son, members of the New York Stock Exchange, as co-managers of the firm's newly opened office in the Security Trust Building. They were formerly partners in the investment firm of Babbage & Kessinger.

B. C. Christopher Branch

ST. LOUIS, Mo.—B. C. Christopher & Co. has a branch office at 5100 Oakland Avenue under the direction of Norman Supper.

Continued from page 3

The General Economic Scene and Permanent Cure for Homebuilding

through both recession and recovery, reflecting a willingness and a need on the part of consumers to lay aside a portion of income through all phases of the trade cycle.

Optimism About 1959

What about 1959 and the years immediately beyond? Surveys of the general economic scene report optimism — more cautious than exuberant—among businessmen, consumers, and governments alike. According to Dun & Bradstreet, businessmen are more optimistic about first quarter 1959 prospects than for any preceding quarter back to 1955. Most anticipate that sales in 1959 will exceed the 1958 volume and that profits will also rise. Consumers are more confident than before about their own financial position and about the general economic situation in 1959, according to the University of Michigan Survey Research Center. Also, as reported by the National Industrial Conference Board, consumer buying plans, especially for "big-tag" items, are quite encouraging.

The most recent government-sponsored survey on the 1959 outlook indicates a steady, though unspectacular, expansion in business activity. Underlying the expected expansion is the anticipated pickup in three major segments of American industry—autos, construction, and steel. A 5½ million car year, 30% greater than in 1958; a construction volume of about $52 billion, compared with less than $49 billion in 1958; and steel ingot production at close to 110 million tons as against 85 million in 1958; if realized, will indeed provide a basis for continued strong recovery in 1959.

Past business cycle experience also favors further economic expansion beyond 1959. Scholarly study has revealed that in most cycles the expansion phase usually continues for about 30 months. If we measure our present recovery as beginning last May, it is less than 9 months old—clearly, still pregnant with potential growth. This growth will not be realized automatically, however, simply on the basis of past statistical evidence. Each new cyclical change carries with it its own problems and its own challenges. Within any overall growth pattern, moreover, some sectors and some areas will lag behind others or decline temporarily because of special factors.

The rate of expansion so far, for example, has still left us with over 4 million unemployed persons as of December. In terms of specific labor market areas, latest Government surveys (November, 1958) show some 83 so-called surplus areas—that is, areas with 6% or more unemployed. The likelihood is that unemployment will rise further in January and February, perhaps to over 5 million persons. While such an increase will be attributable to the operation of normal seasonal factors—particularly in the construction and agricultural sectors—rather than to any real deterioration in economic activity, we cannot afford to be complacent about such a high level of unemployment. The general stickiness of recovery in this area, reflecting productivity and labor force factors noted earlier, is one of our main economic problems for 1959 and beyond.

Predicts 1.2 Million Starts

Some observers feel that the home building sector is one of the areas in which a decline may occur this year — notwithstanding general economic growth, because of the reduced availability of credit, upon which it is so dependent. The more pessimistic analysts are suggesting a drop in the second half of 1959 to little more than 1 million units, compared with the 1.3 million rate recently reached. I would like to say in passing that I would be surprised if less than 1.2 million units were started this year and not at all surprised if there were more.

To be sure, credit will be less readily available than in 1958, terms will be more restrictive, borrowers more carefully screened, and commitments harder to come by. Shifts will occur among various types of mortgages, and among various housing sectors, but overall, the volume of mortgage credit should be ample to support at least 1.2 million starts. The flow of savings to mutual savings banks and other financial institutions should continue large, and demands for capital funds by corporations may decline. Government action to stimulate housing markets, moreover, may be expected in the event a decline does appear imminent.

End Interest Rate Ceiling

Any action short of establishing interest rate flexibility for government - guaranteed mortgages, however, will still leave basic problems in housing markets unsolved. As long as ceiling rates are maintained on FHA and VA mortgages, the impact of changes in credit conditions will fall more heavily on mortgage borrowers and lenders, and on housing markets generally, than on other sectors of the economy. This means that builders will continue to operate in unstable markets, as prospective home buyers are precluded from competing freely for limited capital, and as lenders shift their funds in accordance with changing relationships between fixed government-aided mortgage interest rates and free interest rates on other types of investments.

Frankly, with overall prospects for continued economic gains so encouraging, I am more concerned about the development of imbalances in specific economic sectors other than housing. Common stock prices, for example, have risen rapidly to uncomfortably high levels, hard to justify on the basis of current earnings and dividends. Common stock yields are, in fact, well below those on high grade bonds. Only rarely has this been the case in the past half-century. In my judgment, the market has exaggerated inflation prospects for the near future. A shakeout in the stock market based upon a re-evaluation of the inflation potential and upon more realistic returns for investors, may have repercussions on other sectors of the economy.

In the steel industry, important labor contract negotiations are scheduled for this summer. Failure of management and labor to reach agreement may result in long and costly strikes. Such a development in one of the nation's basic industries will be a serious blow to maintaining balance in the nation's economic machine. In any event, the results of the steel industry negotiations will set a pattern for labor contracts in other industries.

National Fiscal Discipline

Another important question mark on the domestic economic scene lies in the area of national fiscal discipline. The President has outlined a Federal budget in balance for fiscal 1960 at around $77 billion. This represents a proposed reduction in spending from fiscal 1959 of over $2 billion and an increase in receipts of perhaps $10 billion. Few believe that Federal spending can be contained within the President's estimate, but, even at a higher figure, a balanced budget may be achieved as tax receipts are boosted by a strong business recovery. Fiscal discipline is essential if the nation's long-run economic health is to be maintained. At the least, this means living within our income during a period of economic expansion such as is anticipated for 1959 and 1960.

On the international scene, recent financial developments hold important implications for the United States economy in the immediate years ahead. The European nations have demonstrated a willingness to accept fiscal and monetary discipline through currency convertibility and devaluation. These moves will make it harder for American exporters to sell high-cost products abroad. Already there is evidence that we have been pricing ourselves out of foreign markets. U. S. exports declined markedly in 1958, accompanied by gold outflows in excess of $2 billion.

The apparent determination of European nations to repudiate inflation as a way of life reenforces our own need to combat this economic scourge. After all the potential threats to full and sustained economic recovery are reviewed—and there are assuredly more than I have touched upon, including the stickiness of unemployment, lagging capital expenditures by business, lower farm incomes—the main economic threat and challenge which emerges is inflation. The question has been asked by many — by sophisticated as well as lay observers of the American economic scene — whether our new prosperity can long continue without engendering new inflationary pressures.

Many have answered no including some among the sophisticated, and have added that this prospect is not necessarily unwelcome. My answer on both counts is an emphatic yes — that we can have prosperity without inflation, and, indeed, that we must have, because the two are necessarily incompatible. For I submit that the creeping variety of inflation cannot long be limited to this pace, and as it builds to a gallop develops the imbalances, the hardships, the inequities, which result ultimately in economic collapse. The American people must be convinced that inflation is not inevitable. Resignation to inflation—for the longer term as well as the immediate years ahead—will in itself set off actions building inflation further into the system and bringing about the very dangers we fear.

Businessmen, labor consumers, and governments must be united in their determination to develop and support programs and policies that are not inflationary. Indeed, in the coming year inflationary fears hardly seem justified. Relative price stability appears to be a good bet in 1959. Our plant capacity and labor force are still not being fully utilized; productivity is increasing significantly; farm crops are abundant; and foreign competition for American markets is keen.

Inflation Threatens Homebuilding

In the longer run, as well as in the short run, homebuilders have a direct interest in combating inflation, because the availability of mortgage credit—the lifeblood of home building — depends ultimately on the volume of long-term savings. Thrift is one of the bulwarks of our American economy and must be encouraged as the fundamental source of financing for residential building and other capital formation. So long as inflation motivates the actions of consumers and investors, so long will it be difficult to increase the flow of savings and hence of residential mortgage funds.

Worth Short-Run Pain

At times, in the short run, homebuilding may seem to suffer at the hands of anti-inflationary monetary and fiscal policies, but only through such policies can the supply of mortgage credit be increased in the long run. The Joint Economic Committee has stated the problem well: "Public policies must face up squarely to the problem of inflation. Restraining inflation never has been and never will be an easy job. It requires making hard decisions in public policies to contend with problems which may become increasingly complex."

Hard decisions and keen judgment are necessary, also, on the part of the homebuilding industry. This means striving continuously to hold costs down, increase efficiency, and produce a quality product for the consumers' dollar. It means, also, that industry leadership must encourage sound policies on the part of our Federal housing and mortgage agencies, and of our Federal legislators concerned with this area of activity. In this connection, the Congress will soon be inviting industry opinion on proposed housing legislation for 1959. One way in which, it seems to me, the home building industry can serve their own interest, and the public interest as well, would be to oppose vigorously further Federal inroads into the private sector of housing markets. This means standing firmly against direct government lending, including the expansion of FNMA's activities to support submarket mortgage interest rates established under other Federal programs. Making Federal money directly available to housing markets through FNMA will further increase the already large Federal deficit, add to inflationary pressures, and ultimately threaten the existence of the private homebuilding industry. This would indeed be a heavy price for all of us to pay for a temporary stimulus to housing markets.

It cannot be stressed too strongly that housing credit policies must be established within the framework of the nation's overall monetary and fiscal policies, and not in an economic vacuum. In this kind of a setting, it may well be that in some future periods the long-run public interest as well as the private homebuilding interest, will call for temporary restraints on housing demands. Federal housing instrumentalities cannot encourage all out expansion under all conditions if the nation is to meet successfully inflationary pressures and preserve the purchasing power of the dollar. Sober reflection will, I am sure, convince us all that self-interest dictates the sacrificing of temporary short-term economic gain, for permanent, long-term economic stability in a setting of sustained economic growth.

F. L. Putnam Fla. Office

NAPLES, Fla.—F. L. Putnam & Company, Inc. has opened a branch office at 658 Fifth Avenue South under the management of Howard Millet. Mr. Millet was formerly in the investment business in Augusta, Maine.

Alexander McCabe

Alexander McCabe passed away Jan. 18th at the age of 65. Prior to his retirement he had been a partner in Dreyfus & Co.

William A. Gutekunst

William A. Gutekunst passed away Jan. 15th at the age of 57 following a brief illness. Mr. Gutekunst had been a partner of F. L. Rossman & Co., New York City.

Continued from page 14

Federal Budget for 1960 Is Balanced and Restrained

billion instead of the $67 billion estimated at that time.

The estimate of $77.1 billion in receipts for 1960 is contingent on enactment of the tax recommendations mentioned earlier. Of this estimate, approximately $76.5 billion reflects the increases in receipts under present tax rates and present tax sources while $0.6 billion is from new taxes and increased nontax sources. . . .

* * *

Some of the key features of the President's budget recommendations are summarized herewith:

This budget assures that essential defense needs are met. The budget recommendations will bolster the defense of our country against possible attack and enable our forces to respond more quickly and vigorously to any emergency. At the same time, and as part of our effort to keep America strong, this budget reflects policies to streamline operations, to remove duplication of weapons, to accentuate the principle and practice of unification, and to minimize maintenance costs—in short, to assure the maximum defense from each dollar expended. . . .

Foreign Economic Aid

Today the less-developed nations—a score of which have attained independence since World War II—are struggling to improve their economic and social conditions. The success of these efforts is vital not only to the freedom and well-being of the millions of people within their boundaries but also to the population of the entire world. Fortunately, the free countries of the world are taking many actions together to promote trade with and to expand investment in such nations. As part of this joint effort, the following actions for the United States are recommended:

(a) Increase substantially our subscriptions to the International Bank of Reconstruction and Development and the International Monetary Fund. This should be done promptly.

(b) Bring the capitalization of our Development Loan Fund up to the amount originally recommended for the fiscal year 1959 by enacting a supplemental amount of $225 million.

(c) As a supplement to established institutions, create a joint development banking institution with our Latin American neighbors.

(d) Increase the emphasis on economic development in the mutual security programs through such measures as the appropriation of $700 million for the Development Loan Fund and $211 million for technical cooperation in fiscal 1960.

(e) Enact legislation to expand the mutual security investment guaranty program.

In the current fiscal year, total expenditures for basic and applied research and for scientific development have reached record amounts and a supplemental appropriation for 1959 to advance space technology is recommended.

For the fiscal year 1960, research and development expenditures will be increased still further, with emphasis on space exploration, peaceful uses of atomic energy, and basic science. Extensive space exploration investigations are being initiated, utilizing satellites and probes. Development work is going forward on high-energy fuel rockets, a million-pound thrust engine, and a nuclear rocket engine.

Asks Curb On Outlays for Public Works

Increases were provided last year in construction programs for water resources, health facilities, public buildings, airways, and highways, partly to combat the recession. As a result, Federal expenditures for civil public works in fiscal 1960 will be the highest in history. It therefore seems both possible and prudent to take a breathing spell in the initiation of new projects. Accordingly, no additional funds are proposed in 1960 for starting new water resources projects, general office buildings, and veterans hospitals. Furthermore, reduced new spending authority is recommended for grants for local public and private hospitals, health research facilities, and for waste treatment works, although expenditures under earlier authorizations will continue to be high. Highway expenditures will increase in accordance with the program planned under the Federal Aid Highway Act, and modernization of airway facilities to meet operational and safety needs will go forward at a higher level of expenditure.

The combined outlay for reclamation, flood control, and navigation projects is estimated to be higher than ever before in 1960. Expenditures are expected to increase again in fiscal 1961 and to hold at that level in 1962 even without new starts beyond those for which initial appropriations have already been made. The new water resources projects authorized for starting in 1959 will be so spread out as to schedule initiation late in the year, wherever practicable, and, in a few cases, construction may be deferred until the fiscal year 1960.

Favors Improved Minimum Wage Law

Proposals will be made for widening the coverage of unemployment compensation, for extending and improving the minimum wage and 8-hour laws, and for providing added protection in labor-management relations. I am again proposing legislation to strengthen safeguards on the conduct of labor union affairs, including the strengthening of the law enacted last year requiring public reporting on union welfare and pension plans.

In the housing field, the budget recommends broadening the authority of the Federal Housing Administration and removing the ceiling on the total volume of mortgage insurance it can provide. Legislation is also recommended authorizing capital grants for urban renewal projects for a 6-year period. Annual contributions to local housing authorities for low-rent public housing projects will rise in 1960 as more projects are completed. Commitments by the Federal National Mortgage Association to purchase mortgages on housing for urban renewal areas for relocating displaced families and for the elderly will continue to rise in 1960.

Seeks Flexible Interest Rates on Agency Loans

I recommended that for interest rates on new loans and commitments:

(a) The 4¾% ceiling on loans guaranteed by the Veterans Administration be replaced by a maximum rate not in excess of the rate for mortgages on sales housing insured by the Federal Housing Administration. This change will also have the effect of revising the interest rate ceiling on direct housing loans of the Veterans Administration.

(b) The ceilings of 4½% and 5% for rental (including armed services) and for cooperative housing mortgages insured by the Federal Housing Administration be increased to levels adequate to assure private financing.

(c) The present statutory interest rate of 2% for loans made by the Rural Electrification Administration be replaced by a rate which will cover the current cost to the Treasury of equivalent-term borrowing and other reasonable costs.

(d) The statutory standard for college housing loans made by the Housing and Home Finance Agency (the rate at present is 2⅞%) be amended to authorize a rate which will cover the current cost to the Treasury of equivalent-ter mborrowing and other reasonable costs.

(e) The 3½% ceiling on ship mortgage loans by the Maritime Administration be replaced by authority to charge the full costs of the loans.

Such actions by the Congress will encourage the participation of private capital, and, in the long run, will reduce government expenditures significantly. At the same time, government guaranties or insurance will continue to permit interest costs to borrowers more favorable than the rates charged in the open market for similar loans.

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(c) Increase State and local participation in the financing of public assistance programs.

Veterans' Services and Benefits

The upward trend of expenditures in veterans' programs is expected to halt temporarily in the fiscal year 1960, mainly because declining workloads result in a decrease of $163 million for readjustments programs which have helped so many veterans of World War II and the Korean conflict to become reestablished in civilian life. Expenditures for disability and death compensation, which have increased in the last several years because higher rates were enacted, are expected to decrease somewhat in 1960 as the number of beneficiaries declines. However, expenditures for other permanent programs are continuing to increase, primarily because more veterans with disabilities not resulting from their military service are receiving hospital and medical care or pensions. The estimated total expenditures for veterans in 1960 of $5.1 billion are $110 million less than in 1959, and $62 million more than in 1958. . . . I believe that certain of our national policies and legislation governing other veterans programs should be modified. This is particularly true of the benefits provided to veterans and their families for disability or deaths not resulting from or related to military service. With veterans and

their families constituting nearly half of our population, the cost of these veterans' benefits is high, and will continue to increase as our veterans advance in age.

Interest on Natural Debt

Interest payments are estimated to rise $495 million to $8.1 billion in the fiscal year 1960. These payments, almost entirely for interest on the public debt, represent more than 10% of budget expenditures.

Since the spring of 1958, market rates of interest have increased, reflecting the strong recovery of the economy. The rise in market rates requires the treasury to pay higher interest on securities issued to refinance the heavy volume of maturing government obligations, a large part of which were issued when interest rates were lower.

In addition to higher interest rates, the amount of interest payments depends on the size and composition of the public debt. It is anticipated that the public debt will reach $285 billion by the end of the fiscal year 1959. On the basis of the balanced budget I am presenting, the debt will be no higher at the end of 1960, although there will be a substantial temporary increase during the year.

Conclusion

This budget charts the course our government should take as we embark on the decade of the 1960's. Since the end of World War II, the pace of achievement and universal change has quickened with each successive year, sharpening the need for adjustments in the relations of peoples and nations to each other. In the decade facing us, the challenges to representative government will be no less than in the past; indeed, the tasks which are certain to be laid upon the executive, legislative and judicial branches will require from each increasing vision, understanding, and wisdom.

This budget is designed to serve the needs of the nation as a whole as affectively as possible. It rejects the philosophy that the national welfare is best served by satisfying every demand for Federal expenditures.

Our objective, as a free nation, must be to prepare for the momentous decade ahead by entering the fiscal year 1960 with a world at peace, and with a strong and free economy as the prerequisite for healthy growth in the years to follow. This can be achieved through government actions which help foster private economic recovery and development, and which restrain the forces that would drive prices higher, and thereby cheapen our money and erode our personal savings. The first step is to avoid a budget deficit by having the government live within its means, especially during prosperous, peacetime periods.

The 1960 budget reflects our determination to do this.

Alexander Smith

Alexander Smith passed away Jan. 14th at the age of 86. Mr. Smith prior to his retirement had been president of Peabody, Houghteling & Co., later Peabody Smith & Co.

Babbage & Kessinger With J. J. B. Hilliard

LEXINGTON, Ky.—Robert A. Babbage and Thomas B. Kessinger have become associated with J. J. B. Hilliard & Son, members of the New York Stock Exchange, as co-managers of the firm's newly opened office in the Security Trust Building. They were formerly partners in the investment firm of Babbage & Kessinger.

B. C. Christopher Branch

ST. LOUIS, Mo.—B. C. Christopher & Co. has a branch office at 5100 Oakland Avenue under the direction of Norman Supper.

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The General Economic Scene and Permanent Cure for Homebuilding

through both recession and recovery, reflecting a willingness and a need on the part of consumers to lay aside a portion of income through all phases of the trade cycle.

Optimism About 1959

What about 1959 and the years immediately beyond? Surveys of the general economic scene report optimism — more cautious than exuberant—among businessmen, consumers, and govenrments alike. According to Dun & Bradstreet, businessmen are more optimistic about first quarter 1959 prospects than for any preceding quarter back to 1955. Most anticipate that sales in 1959 will exceed the 1958 volume and that profits will also rise. Consumers are more confident than before about their own financial position and about the general economic situation in 1959, according to the University of Michigan Survey Research Center. Also, as reported by the National Industrial Conference Board, consumer buying plans, especially for "big-tag" items, are quite encouraging.

The most recent government-sponsored survey on the 1959 outlook indicates a steady, though unspectacular, expansion in business activity. Underlying the expected expansion is the anticipated pickup in three major segments of American industry—autos, construction, and steel. A 5½ million car year, 30% greater than in 1958; a construction volume of about $52 billion, compared with less than $49 billion in 1958; and steel ingot production at close to 110 million tons as against 85 million in 1958; if realized, will indeed provide a basis for continued strong recovery in 1959.

Past business cycle experience also favors further economic expansion beyond 1959. Scholarly study has revealed that in most cycles the expansion phase usually continues for about 30 months. If we measure our present recovery as beginning last May, it is less than 9 months old—clearly, still pregnant with potential growth. This growth will not be realized automatically, however, simply on the basis of past statistical evidence. Each new cyclical change carries with it its own problems and its own challenges. Within any overall growth pattern, moreover, some sectors and some areas will lag behind others or decline temporarily because of special factors.

The rate of expansion so far, for example, has still left us with over 4 million unemployed persons as of December. In terms of specific labor market areas, latest Government surveys (November, 1958) show some 83 so-called surplus areas—that is, areas with 6% or more unemployed. The likelihood is that unemployment will rise further in January and February, perhaps to over 5 million persons. While such an increase will be attributable to the operation of normal seasonal factors—particularly in the construction and agricultural sectors—rather than to any real deterioration in economic activity, we cannot afford to be complacent about such a high level of unemployment. The general stickiness of recovery in this area, reflecting productivity and labor force factors noted earlier, is one of our main economic problems for 1959 and beyond.

Predicts 1.2 Million Starts

Some observers feel that the home building sector is one of the areas in which a decline may occur this year — notwithstanding general economic growth, because of the reduced availability of credit, upon which it is so dependent. The more pessimistic analysts are suggesting a drop in the second half of 1959 to little more than 1 million units, compared with the 1.3 million rate recently reached. I would like to say in passing that I would be surprised if less than 1.2 million units were started this year and not at all surprised if there were more.

To be sure, credit will be less readily available than in 1958, terms will be more restrictive, borrowers more carefully screened, and commitments harder to come by. Shifts will occur among various types of mortgages, and among various housing sectors, but overall, the volume of mortgage credit should be ample to support at least 1.2 million starts. The flow of savings to mutual savings banks and other financial institutions should continue large, and demands for capital funds by corporations may decline. Government action to stimulate housing markets, moreover, may be expected in the event a decline does appear imminent.

End Interest Rate Ceiling

Any action short of establishing interest rate flexibility for government - guaranteed mortgages, however, will still leave basic problems in housing markets unsolved. As long as ceiling rates are maintained on FHA and VA mortgages, the impact of changes in credit conditions will fall more heavily on mortgage borrowers and lenders, and on housing markets generally, than on other sectors of the economy. This means that builders will continue to operate in unstable markets, as prospective home buyers are precluded from competing freely for limited capital, and as lenders shift their funds in accordance with changing relationships between fixed government-aided mortgage interest rates and free interest rates on other types of investments.

Frankly, with overall prospects for continued economic gains so encouraging, I am more concerned about the development of imbalances in specific economic sectors other than housing. Common stock prices, for example, have risen rapidly to uncomfortably high levels, hard to justify on the basis of current earnings and dividends. Common stock yields are, in fact, well below those on high grade bonds. Only rarely has this been the case in the past half-century. In my judgment, the market has exaggerated inflation prospects for the near future. A shakeout in the stock market based upon a re-evaluation of the inflation potential and upon more realistic returns for investors, may have repercussions on other sectors of the economy.

In the steel industry, important labor contract negotiations are scheduled for this summer. Failure of management and labor to reach agreement may result in long and costly strikes. Such a development in one of the nation's basic industries will be a serious blow to maintaining balance in the nation's economic machine. In any event, the results of the steel industry negotiations will set a pattern for labor contracts in other industries.

National Fiscal Discipline

Another important question mark on the domestic economic scene lies in the area of national fiscal discipline. The President has outlined a Federal budget in balance for fiscal 1960 at around $77 billion. This represents a proposed reduction in spending from fiscal 1959 of over $2 billion and an increase in receipts of perhaps $10 billion. Few believe that Federal spending can be contained within the President's estimate, but, even at a higher figure, a balanced budget may be achieved as tax receipts are boosted by a strong business recovery. Fiscal discipline is essential if the nation's long-run economic health is to be maintained. At the least, this means living within our income during a period of economic expansion such as is anticipated for 1959 and 1960.

On the international scene, recent financial developments hold important implications for the United States economy in the immediate years ahead. The European nations have demonstrated a willingness to accept fiscal and monetary discipline through currency convertibility and devaluation. These moves will make it harder for American exporters to sell high-cost products abroad. Already there is evidence that we have been pricing ourselves out of foreign markets. U. S. exports declined markedly in 1958, accompanied by gold outflows in excess of $2 billion.

The apparent determination of European nations to repudiate inflation as a way of life reenforces our own need to combat this economic scourge. After all the potential threats to full and sustained economic recovery are reviewed—and there are assuredly more than I have touched upon, including the stickiness of unemployment, lagging capital expenditures by business, lower farm incomes—the main economic threat and challenge which emerges is inflation. The question has been asked by many — by sophisticated as well as lay observers of the American economic scene — whether our new prosperity can long continue without engendering new inflationary pressures.

Many have answered no including some among the sophisticated, and have added that this prospect is not necessarily unwelcome. My answer on both counts is an emphatic yes — that we can have prosperity without inflation, and, indeed, that we must have, because the two are necessarily incompatible. For I submit that the creeping variety of inflation cannot long be limited to this pace, and as it builds to a gallop develops the imbalances, the hardships, the inequities, which result ultimately in economic collapse. The American people must be convinced that inflation is not inevitable. Resignation to inflation—for the longer term as well as the immediate years ahead—will in itself set off actions building inflation further into the system and bringing about the very dangers we fear.

Businessmen, labor consumers, and governments must be united in their determination to develop and support programs and policies that are not inflationary. Indeed, in the coming year inflationary fears hardly seem justified. Relative price stability appears to be a good bet in 1959. Our plant capacity and labor force are still not being fully utilized; productivity is increasing significantly; farm crops are abundant; and foreign competition for American markets is keen.

Inflation Threatens Homebuilding

In the longer run, as well as in the short run, homebuilders have a direct interest in combating inflation, because the availability of mortgage credit—the lifeblood of home building — depends ultimately on the volume of long-term savings. Thrift is one of the bulwarks of our American economy and must be encouraged as the fundamental source of financing for residential building and other capital formation. So long as inflation motivates the actions of consumers and investors, so long will it be difficult to increase the flow of savings and hence of residential mortgage funds.

Worth Short-Run Pain

At times, in the short run, homebuilding may seem to suffer at the hands of anti-inflationary monetary and fiscal policies, but only through such policies can the supply of mortgage credit be increased in the long run. The Joint Economic Committee has stated the problem well: "Public policies must face up squarely to the problem of inflation. Restraining inflation never has been and never will be an easy job. It requires making hard decisions in public policies to contend with problems which may become increasingly complex."

Hard decisions and keen judgment are necessary, also, on the part of the homebuilding industry. This means striving continuously to hold costs down, increase efficiency, and produce a quality product for the consumers' dollar. It means, also, that industry leadership must encourage sound policies on the part of our Federal housing and mortgage agencies, and of our Federal legislators concerned with this area of activity. In this connection, the Congress will soon be inviting industry opinion on proposed housing legislation for 1959. One way in which, it seems to me, the home building industry can serve their own interest, and the public interest as well, would be to oppose vigorously further Federal inroads into the private sector of housing markets. This means standing firmly against direct government lending, including the expansion of FNMA's activities to support submarket mortgage interest rates established under other Federal programs. Making Federal money directly available to housing markets through FNMA will further increase the already large Federal deficit, add to inflationary pressures, and ultimately threaten the existence of the private homebuilding industry. This would indeed be a heavy price for all of us to pay for a temporary stimulus to housing markets.

It cannot be stressed too strongly that housing credit policies must be established within the framework of the nation's overall monetary and fiscal policies, and not in an economic vacuum. In this kind of a setting, it may well be that in some future periods the long-run public interest as well as the private homebuilding interest, will call for temporary restraints on housing demands. Federal housing instrumentalities cannot encourage all out expansion under all conditions if the nation is to meet successfully inflationary pressures and preserve the purchasing power of the dollar. Sober reflection will, I am sure, convince us all that self-interest dictates the sacrificing of temporary short-term economic gain, for permanent, long-term economic stability in a setting of sustained economic growth.

F. L. Putnam Fla. Office

NAPLES, Fla.—F. L. Putnam & Company, Inc. has opened a branch office at 658 Fifth Avenue South under the management of Howard Millet. Mr. Millet was formerly in the investment business in Augusta, Maine.

Alexander McCabe

Alexander McCabe passed away Jan. 18th at the age of 65. Prior to his retirement he had been a partner in Dreyfus & Co.

William A. Gutekunst

William A. Gutekunst passed away Jan. 15th at the age of 57 following a brief illness. Mr. Gutekunst had been a partner of F. L. Rossman & Co., New York City.

With C. F. Childs

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Richard E. Cadieux has been added to the staff of C. F. Childs and Company, 141 West Jackson Boulevard.

Hornblower, Weeks Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John E. Pederson has been added to the staff of Hornblower & Weeks, 134 South La Salle Street.

With Mitchell, Hutchins

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Arthur K. Munson, Jr., is now affiliated with Mitchell, Hutchins & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges.

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The State of Trade and Industry

carryovers of undelivered orders by the time June—and a possible steel strike deadline—rolls around.

The metalworking magazine said that in some products "the market is building up backwards." It explained that buyers of oil country casing and tubing have, in several cases, ordered more tonnage for May delivery than they have for February or March. In this way they figure to protect themselves against a strike without the cost of carrying heavy inventories during the months immediately ahead.

"Iron Age" said the situation has reached the point where several tube mills have indicated they will not book casing orders for June delivery. "This is interpreted by steel buyers to mean that the mills figure they will have a carryover problem by the end of May and want to use June to clean up these orders."

"One peculiar thing about the present steel market," says "Iron Age," "is that Chicago, St. Louis, Cleveland, and the area surrounding Chicago are gaining substantially in steel demand each week. The buildup in Pittsburgh and the East has been slower and more gradual. But now there are signs that plate and sheet demand, particularly, will soon be spilling over from the Midwest into Pittsburgh and the East."

The metalworking weekly said the biggest improvement in orders is coming from the automakers. It has learned that two of the Big Three auto companies have firmed plans to stock up with enough steel and parts by June to weather a two months or longer steel strike, if necessary.

"Iron Age" said that a check of purchasing agents in the Chicago area indicates many are counting on a steel strike of at least six weeks' duration. At the same time, some steel users are dragging their feet, apparently in the belief that if they need steel in a hurry they can always get it.

Automobile Output This Week Exceeds Last Week's Production

United States auto manufacturers, for the week ended Jan. 16, held to the same firm pace established in the opening week of 1959. "Ward's Auto Reports" estimated output at 134,042 cars and 21,542 trucks compared to the previous week's totals of 133,362 and 22,564.

So far this year, both car and truck volume are running 7% ahead of 1958. Indicated for January, according to "Ward's," is a car total that should top the same month a year ago by approximately 100,000 units. Output in January, 1958, was 489,357.

"Ward's" said scattered six-day output was planned throughout the industry in the period covered by its report. Ford Division scheduled Saturday work for four car-making plants and two truck sites. Other Big Three factories programming six days were Lincoln's Dixom, Mich., unit and Buick-Oldsmobile-Pontiac facilities at Arlington, Texas, and Southgate, Calif.

Both American Motors and Studebaker-Packard followed Monday through Saturday routines, said "Ward's," while Chrysler Corporation was on a straight five-day schedule. "Ward's" said the strike at the Pittsburgh Plate Glass Co. forced Chrysler Corporation to close its Plymouth operations on Jan. 19, while Dodge, DeSoto, Chrysler and Imperial will work three days, then stop assembly.

Steel Consumers to Build Inventories

"Steel," the national metal working weekly, is authority for the statement that most steel consumers will begin building inventories in the next few weeks. Smaller users are already starting to, the magazine said today. Automotive part suppliers are leading the parade in accumulating inventories, the metalworking weekly said.

Part suppliers have decided it is safe to stock up now that automakers have given them firm orders through June. The special steels they need are getting harder to obtain. Delivery promises for pickled strip and shim stock average five weeks in the Detroit area, and the market is tightening.

Major steel consumers are asking more questions about deliveries, but they have not started buying ahead. They are concerned with immediate problems—getting assurances that the steel they have ordered will reach them when it's needed. Automakers aren't expected to step up buying until the end of the first quarter.

As strike fears mount, even the more conservative buyers will start pressing for extra tonnage. "Steel" predicted that consumers will add 4 million tons to their inventory stockpiles before July.

A survey of product demand by the metalworking weekly indicates:

January shipments of cold-rolled steel sheets will equal or slightly exceed last month's. A Chicago mill has its biggest backlog in two years. It sold out through the first quarter on cold-rolled and galvanized sheets. Most of the tonnage is going to the automotive, appliance, and container industries.

Steelmaking operations last week held at 74.5% of 1959 capacity (comparable to 78% of the 1958 capacity). Output was about 2,109,000 net tons of steel. Rates in nine out of 12 districts held steady or were up.

A new process, explosive forming, is using the awesome energy of explosives to form the world's toughest metals into space age shapes with fantastic ease, "Steel" reported.

The process will elongate carbon steel 70% (vs. the normal limit of 42%), harden aluminum 95% without changing its size, shape defiant refractory metals and perform other remarkable feats. Now being used in the aircraft and missile industries, it promises less expensive production costs for complex shapes in every facet of metalworking.

"Steel's" composite on steelmaking scrap advanced 66 cents to $40.33 a gross ton last week, highest since November.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *133.7% of steel capacity for the week beginning Jan. 19, 1959, equivalent to 2,147,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *131.4% of capacity, and 2,111,000 tons a week ago.

Output for the week beginning Jan. 19, 1959 is equal to about 75.8% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons compared with actual production of 74.6% the week before.

For the like week a month ago the rate was 114.5% and production 1,840,000 tons. A year ago the actual weekly production was placed at 1,496,000 tons or 93.1%.

*Index of production is based on average weekly production for 1947-1949.

Electric Output Below Previous Week's Total

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 17, 1959 was estimated at 13,324,000,000 kwh., according to the Edison Electric Institute. Output the past week was below the level of the preceding week.

For the week ended Jan. 17 1959 output decreased by 230,000,000 kwh. below that of the previous week, but showed a gain of 924,000,000 kwh. above that of the comparable 1958 week.

Car Loadings Show Sharp Gain Over Prior Week

Loadings over revenue freight in the week ended Jan. 10, 1959 were 550,090 cars, a gain of 82,391 cars, or 17.6% above the preceding holiday week ended Jan. 9, 1959.

Loadings for the Jan. 10 week reflected a decrease of 19,717 cars, or 3.5%, below the corresponding week in 1958, and a drop of 130,767 cars, or 19.2%, below the same week in 1957.

Lumber Shipments Up 21.4% as Compared With Holiday Week

Lumber shipments of 477 reporting mills in the week ended Jan. 10, 1959 were 1.8% above production, according to the "National Lumber Trade Barometer." In the week of Jan. 10 new orders were 3.4% above production. This reflected a gain in shipments of 21.4% more than was the case for the holiday week ended Jan. 3, 1959. Unfilled orders amounted to 38% of stocks.

For the Jan. 10 week, as compared with the previous holiday week ended Jan. 3, 1959, production of reporting mills was 46.6% higher; shipments were 21.4% above; new orders were 2.3% above. Compared with the corresponding week in 1958, production of reporting mills in the week ended Jan. 10 was 7.7% below; shipments were 1.9% above; and new orders were 4.4% above.

Business Failures Down Moderately From Earlier Week in January

Commercial and industrial failures declined to 294 in the week ended Jan. 15 from 321 in the preceding week, reported Dun & Bradstreet, Inc. However, casualties exceeded moderately the 260 occurring in the similar week last year and the 278 in 1957. Compared with the prewar level, failures were 20% below the total of 367 in 1939.

Liabilities of $5,000 or more were involved in 258 of the week's casualties as against 282 in the previous week and 226 a year ago. Among small failures, those with liabilities under $5,000, there was a dip to 36 from 39 but they remained slightly above the 34 of this size last year. Thirty-three of the failing businesses had liabilities in excess of $100,000, rising from 25 in the preceding week.

Most of the week-to-week decline occurred in retailing, down to 161 from 173, while the toll among wholesalers dipped to 28 from 29, among construction contractors to 38 from 44, and among commercial services to 15 from 23. Manufacturing casualties held steady at 52. More concerns succumbed than last year in all lines; the most noticeable increases from 1958 appeared in retailing and construction.

Wholesale Food Price Index Off Sharply

There was a noticeable decline again in the Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc. It fell to $6.16 on January 13th from $6.24 a week earlier, a decline of 1.3%. The index was 4.5% below the $6.45 of the similar date a year ago.

Commodities quoted higher were barley, beef, hams, bellies, cottonseed oil, potatoes, and steers. Lower in price were flour, wheat, rye, lard, butter, sugar, coffee, cocoa, eggs, and hogs.

The Price Index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Stable

The general commodity price level showed little change in the week ended Jan. 19, with price increases on hogs, some grains, steel scrap, and lard offsetting declines on flour, coffee, and tin. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., stood at 274.51 on Jan. 19, compared with 274.41 a week earlier and 276.54 on the comparable date a year ago.

There was a noticeable decline in both domestic and export of buying of wheat in the latest week, and prices slipped somewhat. There were some sales to India, Pakistan, and Yugoslavia but volume was less than anticipated. The buying of rye and oats was sustained at the level of the earlier week, and prices were up slightly. Purchases of corn dipped and prices were fractionally lower.

Trading in soybeans advanced appreciably and prices noticeably exceeded those of the preceding week. Preliminary estimates indicate that the soybean crush in December was at a record level. The Department of Agriculture reported that a record volume of 1958 crop soybeans had been placed under Government loan.

Although there was a slight rise in export buying of flour during the week of Jan. 19, domestic trading was sluggish; flour prices fell moderately. A noticeable rise in export commitments to Pakistan reduced rice offerings and prices were sustained at the prior week's levels. Domestic transactions in rice were steady.

Wholesalers reported a decline in coffee supplies, but buying lagged and prices were somewhat lower. Coffee prices are expected to rise in the near future as stocks continue to dwindle. Cocoa trading moved up during the week and prices were fractionally higher. Following the end of the Cuban revolt in the middle of the week, trading expanded and prices leveled out.

Hog trading in Chicago moved up at the end of the week

and prices finished slightly higher; hog receipts rose noticeably over the prior week and slightly exceeded those of a year ago. Purchases of steers slackened and prices were down somewhat; cattle receipts were close to the preceding week. The salable supply of lambs declined and prices were steady.

Cotton prices on the New York Cotton Exchange finished the week slightly higher than the previous period. Trading moved up as buyers expected that the Commodity Credit Corporation would report a sharp increase in the volume of cotton pledged for loan entries. Exports of cotton in the week ended Jan. 13 amounted to 59,000 bales, compared with 66,000 in the prior week and 111,000 in the comparable period a year ago. Exports for the current season through the 13th totaled 1,410,000 bales, compared with 2,548,000 in the corresponding period a year ago.

Clearance Sales Promotions Stimulate Trade

Attracted by numerous clearance sales promotions, consumers stepped up their buying of apparel, some appliances, and linens in the week ended Jan. 7, and the total dollar volume of retail trade slightly exceeded that of a year ago. More noticeable gains were prevented by unfavorable weather in some areas and limited stocks among some retailers. Scattered reports indicated that the buying of new passenger cars rose somewhat from the prior week and were slightly higher than a year ago.

The total dollar volume of retail trade in the week under review was unchanged to 4% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1958 levels by the following percentages: East North Central, South Atlantic, and Pacific Coast +1 to +5; Middle Atlantic and West North Central 0 to +4; East South Central and Mountain —1 to +3; West South Central —2 to +2; New England —5 to —1.

There was a noticeable rise in the buying of women's Winter coats, dresses, and fashion accessories and volume in sportswear was up slightly; overall sales of women's apparel moderately exceeded that of a year ago. Year-to-year gains in purchases of men's suits, topcoats, and sportswear offset decline in furnishings. Increased buying of boys' shirts, slacks, and jackets boosted total sales of boys' merchandise slightly over last year.

The call for household goods was up moderately from the similar 1958 week, with appliance dealers reporting the most noticeable increases; best-sellers were television sets, phonographs, and automatic laundry equipment. Interest in furniture was up slightly from last year, with principal gains in dinette sets and upholstered merchandise. "White Sales" again helped volume in linens climb over last year, but interest in draperies and floor coverings remained close to that of a year ago.

Although housewives stepped up their buying of frozen foods, canned goods, and some diary products, total food sales were unchanged from the prior week. Grocers reported declines in fresh produce, poultry, and fresh meat.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Jan. 10, 1959 advanced 4% above the like period last year. In the preceding week, Jan. 3, 1959, an increase of 3% was reported. For the four weeks ended Jan. 10, 1959, a gain of 10% was registered. For the period Jan. 1, 1958 to Dec. 27, 1958 an increase of 1% was recorded above that of the 1957 period.

According to the Federal Reserve Board's index, department store sales in New York City for the week ended Jan. 10, 1959 showed an increase of 1% above that of the like period last year. In the preceding week, Jan. 3, 1959, a decrease of 1% was reported. For the four weeks ended Jan. 10, 1959, an increase of 4% was noted. For the period Jan. 1, 1958 to Dec. 27, 1958 an increase of 3% was registered above that of the corresponding period in 1957.

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Some Aspects of Economic Growth and Public Policy

enjoy may persist well out into the year, demand will likely be pressing again upon productive resources as we leave this decade behind. In the grace period that will be accorded us in 1959, we must face the issue of where we want the growth of the 1960s to take place.

There are many ways in which this decision will be put to us. Let me take up with you but one —the major one. It is the Federal budget for the fiscal year beginning next July.

The President, as you know, has announced his intention of proposing to the Congress a budget that is in balance at about $77 billion. As compared with the budget estimates of only two years ago, revenues are up by $5 billion, but all of that increase—partly reflecting the impact of the recession—has been absorbed by larger expenditures. If the President had not expressed his opposition by veto and otherwise, at the last session of Congress, it is fair to say that bills aggregating an additional $5.5 billion of future expenditures would have been enacted.

The President's new $77 billion proposal seems designed to maintain this common-sense attitude in budgeting. But already the advocates of a hundred schemes for larger Federal expenditures are voicing their demands in the new Congress. These demands, if approved, could well raise Federal spending to at least $80 billion in fiscal year 1960 and, perhaps, to a figure approaching $85 billion in fiscal year 1961.

Is this the course we wish to take?

The Nation should stop, look and listen before it is so persuaded. The growth of the economy will bring, to be sure, added tax revenues without higher tax rates or more taxes. But are we prepared to commit in advance the growth of Federal revenues for the next several years to support higher Federal outlays? Is our program simply to be one of matching higher revenue yields with higher expenditures?

Such, it seems to me, is a woefully uninspiring objective for an economy sparked by private enterprise and about to enter a great new age of technical development. Surely the President was right, in his State of the Union Message, in advising us to prepare for the near day when we could allocate some of the increase in tax revenue from economic growth to a revision of the tax structure that would release additional private capital and initiative to exploit the vistas of economic progress. And surely, also, we must bear in mind the rightful claim of debt reduction to some surplus revenues at suitable times.

Must Discipline Our Budget

If we are to have the luxury of these choices, we must begin right now to exercise discipline over the expenditures for future years. Such discipline begins with the present budget, for program increases in this budget will breed increases in future years.

I cannot, of course, say to you that this is an absolutely ideal budget. Until the heirs and assigns of Plato convoke an assembly of philosopher-kings, we shall probably have to get along without such a perfect document. In the give and take that characterizes this kind of decision-making in a democracy, no such perfection is possible.

For the first time in several years I have not been immersed in Washington budget making. But after some study and inquiry I have satisfied myself on two things about the President's proposal:

(1) The revenue estimate which appears to total roughly $76.5 billion, after allowing for certain proposals to increase receipts, is reasonable;

(2) The reduced expenditure level of about $77 billion appears reasonably arrived at for the real and foreseeable needs of the year ahead, after recognizing the decline in some expenditure categories enlarged this fiscal year by special factors, such as the recession, and after administering some hard-headed but sensible treatment to other existing programs and proposals.

The budget which the President has outlined is a key issue on which each of us can take a stand. I can recommend it in broad terms as fiscally sound and economically valid.

Of course, we do not know all its details at this writing. But I think we can all agree that $77 billion can command a lot of goods and services. The President says it provides adequately for the national security. I am willing to accept his judgment on that matter because, on the basis of six years close association with him, I have no doubt whatever that, if he felt he needed another billion or two or five for defense, that extra sum would be in the budget. Even the inference that he is skimping on the provision of an adequate defense in order to achieve some other objective, such as balancing the budget, is as preposterous as it is repugnant.

In the President's judgment his $77 billion budget also adequately provides for non-security needs. He invested a great deal of personal effort in the preparation of this budget. He brought to it a fine sense of fairness toward conflicting claims for budgetary support that are important to organized groups of our people. This budget is probably as equitable a one as could be put together today in the interests of the various groups concerned but, above all, of the whole of the American people. Such minor changes in allocation as may prove desirable need not alter materially the overall total.

By getting back of the President's budget promptly and vigorously we can help determine now, in 1959, how much economic growth will be absorbed by future activities of the Federal Government. We can help invigorate the private sector of the economy. By so doing we can keep strong the drive essential to our free system.

III

A realistic appraisal of growth goals, a sensible perspective on the limited role of the public sector in an economy like ours will spur progress in gaining a third objective: economic growth that is healthy in terms of a stable dollar.

Now I am aware of the fact that this subject covers oft-tilled ground. I propose to make but a few comments and a suggestion on it. It is a subject that evokes many views. There are those who apparently regard inflation in some degree as essential to a good rate of growth. This position is reminiscent of the remark of a taxi driver to my wife who remonstrated with him for going through a red light, "Oh," he said, "I've got to go through this red light, so I'll catch all the others on green!"

There are those who take a rather pessimistic view that inflation is inevitable but who are willing to join in some futile gestures against it like the outfielder who throws his glove at a ball sailing out of the park. Then there are the flourishing practitioners of escalation who, in effect, offer to supply cushions to a few in the theater so they can see over the heads of those in front of them but whose scheme is going to look pretty dubious when everyone is supplied with a cushion.

Inflation Unnecessary for Growth

I start from the assumption that inflation is not necessary for business growth—the economy doesn't need to run a little fever to keep healthy—and further that we need not accept it as inevitable. I regret that time permits me only to assert these conclusions. But I want to use my remaining time to get on to one simple point about it all. What we need most is wide public understanding of the role of price inflation. Then, I think, we will get the public response to change some of the well-known conditions that foster it.

Each of the more than a thousand of us in the assemblage deals with scores of customers, employees and stockholders, in carrying out the daily routine of executive duties. In these regular contacts with literally thousands of our fellow Americans we have an opportunity to make a few plain points about each American's stake in a stable dollar.

The first, and clearest, point is this: A steadily rising price level erodes the value of savings. This fact is familiar to all of the members of the Economic Club. But it is obviously not clear to the majority of people who are continuing to set aside record amounts of money in savings deposits, life insurance, pension funds and other fixed assets, including still substantial amounts in U. S. savings bonds. This group includes most of the employees of companies represented in this audience. It is as essential that we communicate with these workers on the future value of savings, as it is that we continue what have come to be almost compulsory annual discussions on the level of current earnings. I only wish that an estimated deduction for the effects of inflation could be attached to every paycheck as plainly as we now indicate the effects of taxes, insurance premiums and other items that are deducted in a literal sense.

It is essential that we make this effort now to obtain some public realization of the importance of price stability. If the realization comes only after inflation has made a mockery of a generation of thrift, the result is not likely to be just a minor change in our monetary or fiscal policies. In the public reaction that would inevitably accompany such a development, it does not require much political imagination to visualize a proposal requiring the Federal Government to make up — with direct individual payments — the difference between the stated and the "real" value of individual pensions or savings deposits. Should we ever reach this stage of universal escalation it is difficult to envisage what kind of economic system would remain.

It is my own conviction that understanding of these facts by millions of Americans would make a difference. Let me make a modest proposal. Last year, according to the Post Office Department, approximately 26 billion first class letters were mailed by business in this country. Add to that the billions of interoffice letters and pay envelopes that business distributed last year. Here is a matchless communication system that is available to carry simple messages on "your stake in a stable dollar". They should be short, direct, relevant, thought-provoking. They should be designed to evoke constructive action, not destructive argument.

I am venturing now into a field that many others are better qualified to handle than I. I have done so only to indicate my feeling of urgency about a wider public understanding of the economic issues we are about to face.

It has become almost an American ritual to have a meeting like this and hear a speaker on some matter of public interest. But in many cases, I fear, that is the end of the matter. We put out our cigars, bid each other good-night, return to our homes and resume next day our absorbing daily activities as though no meeting had taken place. I hope the end result of our coming together on this occasion will be action. I believe this pleasant dinner will be useful to us—and to our children — if each of us is moved to think and act about the problems discussed here.

Professor Alfred North Whitehead stated the challenge of this hour in the philosopher's terms when he said, "A great society is a society in which its men of business think greatly of their functions." It is the function of business leaders to point the way toward attainable, privately produced and stable growth in this economy. I hope we shall both think greatly and act strongly to achieve it.

John F. Tice Joins Cruttenden, Podesta

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John F. Tice has become associated with Cruttenden, Podesta & Co., 524 17th Street. Mr. Tice was formerly in the trading department of Carroll & Co.

Hersh Eatherton Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Robert N. Trevallee has been added to the staff of Hersh Eatherton & Associates, 509 17th Street.

With L. A. Huey Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Ludovic N. Ladet is now with L. A. Huey Co., Equitable Building.

Now With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Jack H. Oreck has joined the staff of Walston & Co., Inc., Denver U. S. National Center. He was formerly with Columbia Securities Company of Wyoming.

Joins First Fidelity

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Charles C. Morgan, Jr. has become affiliated with First Fidelity Securities Corporation, 11 Pryor Street, S. W.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

MACON, Ga.—Thomas L. Duffy Jr. has been added to the staff of Merrill Lynch, Pierce, Fenner & Smith, Inc., Dempsey Hotel.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Advanced Research Associates, Inc.
Dec. 1 filed 400,000 shares of common stock (par five cents). **Price**—$6 per share. **Proceeds**—For research and development program; and for equipment and working capital. **Office** — 4130 Howard Ave., Kensington, Md. **Underwriters** — Wesley Zaugg & Co., Kensington, Md., and Williams, Widmayer Inc., Washington, D. C. **Offering**—Expected in January.

★ Affiliated Fund Inc.
Jan. 15 filed (by amendment) an additional 11,000,000 shares of capital stock (par $1.25). **Price** — At market. **Proceeds**—For investment.

Alaska Juneau Gold Mining Co.
Dec. 29 filed 640,660 outstanding shares of common stock, of which 300,000 shares are to be offered currently and the remaining 340,660 shares in the future. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—6327 Santa Monica Boulevard, Los Angeles, Calif. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif.

★ Algom Uranium Mines Ltd.
Jan. 15 filed 822,010 shares of common stock to be issuable upon the exercise of outstanding stock purchase warrants of the company which entitle the holders to purchase common shares at $11 (Canadian) per share at any time to and including March 2, 1959. **Proceeds**—To be used for general corporate purposes and may be applied to the redemption or repurchase of the company's mortgage debentures. **Office** — 335 Bay St., Toronto, Canada. **Underwriter**—None.

Allied Publishers, Inc., Portland, Ore.
Nov. 28 (letter of notification) 22,000 shares of common stock (par $1). **Price**—$8.50 per share. **Proceeds**—For general corporate purposes. **Office**—665 S. Ankeny St. Portland 14, Ore. **Underwriter**—First Pacific Investment Corp., Portland, Ore.

All-State Properties Inc.
Dec. 29 filed 685,734 shares of capital stock (par $1) to be offered for subscription by stockholders at the rate of 1½ new shares for each share held (for a 15-day standby. **Price** — $2 per share. **Proceeds**—For additional working capital and new acquisitions, etc. **Office**—30 Verbena Avenue, Floral Park, N Y. **Underwriter** — None. **Offering**—Expected about the middle of February.

American Asiatic Oil Corp.
Nov. 24 filed 100,000,000 shares of capital stock. **Price**—Two cents per share. **Proceeds**—To selling stockholders. **Office**—Magsaysay Building, San Luis, Ermita, Manila, Republic of Philippines. **Underwriter** — Gaberman & Hagedorn, Inc., Manila, Republic of Philippines.

American Buyers Credit Co.
Nov. 13 filed 5,000,000 shares of common stock, of which 4,545,455 shares of this stock are to be offered for public sale at $1.75 per share. [Shares have been issued or are issuable under agreements with various policy holders in American Buyers Life Insurance Co. and American Life Assurance Co. (both of Phoenix) permitting them to purchase stock at $1.25 per share. Sales personnel have been given the right to purchase stock at $1.25 per share up to the amount of commission they receive on stock sales made by them.] **Proceeds**—For the operation of other branch offices, both in Arizona and in other states. **Office**—2001 East Roosevelt, Phoenix, Ariz. **Underwriter**—None.

American-Caribbean Oil Co. (N. Y.)
Feb. 28, 1958, filed 500,000 shares of common stock (par 20c). **Price**—To be supplied by amendment. **Proceeds**—To discharge current liabilities and to drill 10 wells. **Underwriters**—To be named by amendment.

American Enterprise Fund, Inc., New York
Oct. 30 filed 487,897 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Distributor**—Edward A. Viner & Co., Inc., New York.

American Growth Fund, Inc., Denver, Colo.
Nov. 17 filed 1,000,000 shares of capital stock (par one cent). **Price**—At market. **Proceeds**—For investment. **Office**—800 Security Building, Denver, Colo. **Underwriter**—American Growth Fund Sponsors, Inc., 800 Security Bldg., Denver 2, Colo.

American Mutual Investment Co., Inc.
Dec. 17, 1957, filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds** — For investment in first trust notes, second trust notes and construction loans. Company may develop shopping menters and build or purchase office buildings. **Office**—900 Woodward Bldg., Washington, D. C. **Underwriter**—None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

American Telemail Service, Inc.
Feb. 17, 1958, filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York. **Change in Name**—Formerly United States Telemail Service, Inc. **Offering**—Expected early in 1959.

★ Arden Farms Co.
Jan. 9 (letter of notification) 5,263 shares of $3 cumulative and participating preferred stock (no par). **Price**—$57 per share. **Proceeds**—To liquidate obligations accruing in the regular course of business. **Office**—1900 Slauson Ave., Los Angeles 47, Calif. **Underwriter**—None.

★ Armstrong Uranium Corp.
Jan. 16 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—c/o Hepburn T. Armstrong, Round Up Heights, Cheyenne, Wyo. **Underwriter**—Bruno-Lencher, Inc., Pittsburgh, Pa.

• Arnold Altex Aluminum Co. (1/26-30)
Jan. 5 filed 250,000 outstanding shares of common stock; subsequently increased by amendment to 350,000 shares, of which 250,000 will be sold for account of selling stockholders. **Price** — To be supplied by amendment. **Proceeds**—To repay funds borrowed from James Talcott, Inc. and for inventories. **Underwriter.** — Cruttenden, Podesta & Co., Chicago, Ill.

Associated Bowling Centers, Inc.
Nov. 24 filed 300,000 shares of 20-cent cumulative convertible preferred stock (par one cent) and 50,000 outstanding shares of common stock (par one cent). The preferred shares are to be offered for public sale for the account of the company and the common shares will be offered for the account of a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—To acquire new bowling centers and increase working capital (part to be used in defraying cost of acquisition of stock of owner of a Brooklyn (N. Y.) bowling center. **Office**—135 Front St., N. Y. **Underwriter** — To be named by amendment. **Offering**—Expected any day.

Australian Grazing & Pastoral Co., Ltd., Cisco, Texas
Jan. 13 filed 4,000,000 shares of common stock. **Price**—At par (56¼ cents per share). **Proceeds**—To purchase cattle; for improvements; to buy additional ranch in Queensland, Australia; and for other corporate purposes. **Office**—1301 Avenue L, Cisco, Tex. **Underwriter**—None. Ramon Kannon is President.

Autosurance Co. of America
Oct. 16 filed 250,000 shares of common stock (par $2.50). **Price**—$5 per share. **Proceeds**—To increase capital and surplus. **Office**—Atlanta, Ga. **Underwriter**—None. Statement effective Dec. 3.

• Avco Manufacturing Corp., New York (1/27)
Jan. 7 filed $15,000,000 of convertible subordinated debentures, due Feb. 1, 1979, to be offered for subscription by stockholders of record Jan. 26, 1959 on basis of $100 debentures for each 64 shares held; rights to expire on Feb. 10, 1959. **Price**—To be supplied by amendment. **Proceeds** — To reduce short-term bank loans. **Underwriters**—Lehman Brothers and Emanuel, Deetjen & Co., both of New York.

★ Axe-Houghton Fund B, Inc.
Jan. 15 filed (by amendment) an additional 3,000,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

Bankers Fidelity Life Insurance Co.
Feb. 28, 1958, filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office**—Atlanta. Ga **Underwriter—None**

Bankers Management Corp.
Feb. 10, 1958, filed 400,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—1404 Main St., Houston, Texas. **Underwriter**—McDonald, Kaiser & Co., Inc. (formerly McDonald, Holman & Co., Inc.), New York.

Bankers Southern, Inc.
April 14, 1958, filed 8,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter**—Bankers Bond Co., Louisville. Ky

Bargain Centers, Inc.
Nov. 20 (letter of notification) $300,000 of 6% subordinated convertible debentures due Jan. 1, 1969 and 30,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$100 per unit. **Proceeds**—For equipping and decorating a new store and acquisition of real estate for a new warehouse and working capital. **Office**—c/o Edward H. Altschull, President, 1027 Jefferson Circle, Martinsville, W. Va. **Underwriter**—Securities Trading Corp., Jersey City, N. J.

• Bargain City, U. S. A., Inc. (2/2)
Dec. 29 filed 5,000,000 shares of class A common stock (no par). **Price**—$3 per share. **Proceeds**—For expansion and acquisition or leasing of new sites. **Office** — 2210 Walnut Street, Philadelphia, Pa. **Underwriter**—None.

Bellechasse Mining Corp. Ltd.
Oct. 29 filed 800,000 shares of common stock. **Price**—Related to the market price on the Canadian Stock Exchange, at the time the offering is made. **Proceeds**—To be applied over the balance of 1958 and the next three years as follows: for annual assessment work on the company's properties (other than mining claims in the Mt. Wright area in Quebec); for general prospecting costs; and for general administration expenses. **Office**—Montreal, Canada. **Underwriters**—Nicholas Modinos & Co. (Washington, D. C.) in the United States and by Forget & Forget in Canada.

Big Bromley, Inc., Manchester, Vt.
Dec. 9 filed 6,000 shares of common stock, $300,000 of 5% debentures due April 1, 1979, and $100,000 of 6% notes due April 1, 1980, the common stock and debentures to be offered in units of $250 of debentures and five common shares. **Price**—Of units, $500 each, and of notes, at par. **Proceeds**—For general corporate purposes. **Business**—A ski lift and school. **Underwriter**—None.

Blossman Hydratane Gas, Inc. (2/2-6)
Dec. 29 filed $1,200,000 of 5% subordinated convertible debentures due Dec. 31, 1978 and 120,000 shares of common stock (par $1) to be offered in units of $500 of debentures and 50 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To retire short-term bank loans, and for working capital to be used for general corporate purposes. **Business**—Sale and distribution of liquified petroleum gas. **Office**—Covington, La. **Underwriters**—S. D. Fuller & Co., New York and Howard, Weil, Labouisse, Friedrichs & Company, New Orleans, La.

★ B. M. D. Cooperative, Inc.
Jan. 12 (letter of notification) $162,000 principal amount of 15-year 5% registered debentures due Sept. 15, 1970 to be offered for subscription by stockholders of record in units of $500 each. **Price**—At par. **Proceeds**—To retire junior bonds due Sept. 15, 1959. **Office**—54 Oakdale St., Springfield, Mass. **Underwriter**—None.

★ Bobbie Brooks, Inc., Cleveland, Ohio (2/3-4)
Jan. 15 filed 250,000 shares of capital stock (no par), of which 150,000 shares will be sold for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Bache & Co., New York.

Boston Garden-Arena Corp.
Nov. 24 (letter of notification) 2,150 shares of common stock (par $1). **Price**—At-the-market (estimated at $23 per share). **Proceeds** — To go to selling stockholders. **Office**—North Station, Boston 14, Mass. **Underwriter**—Weston W. Adams & Co., Boston, Mass.

Bowmar Instrument Corp.
Dec. 30 (letter of notification) $300,000 principal amount of 5-year 6% notes with stock purchase warrants attached. The warrant grants the right to purchase common stock of the company at the rate of 30 shares for each $1,000 principal amount of notes at the price of $7.50 per share. **Price**—At par. **Proceeds** — To reduce current short-term indebtedness and for working capital. **Office** — Bluffton Rd., Fort Wayne, Ind. **Underwriter**—Fulton Reid & Co., Inc., Cleveland, Ohio.

Bridgehampton Road Races Corp.
Oct. 23 (letter of notification) 15,000 shares of common stock (par $1) to be offered for subscription by stockholders of record Nov. 1, 1958 on the basis of one new share for each four shares held; unsubscribed shares will be offered to current creditors in payment of all or part of claims, at the rate of one share for each $4 of claims discharged; rights to expire about two weeks after mailing of offer. **Price**—$4 per share. **Proceeds**—To pay current creditors. **Address** — P. O. Box-506, Bridgehampton, L. I., N. Y. **Underwriter**—None.

Brookridge Development Corp.
Dec. 19 (letter of notification) $200,000 of 6% 15-year convertible debentures. **Price**—At par ($500 per unit). **Proceeds**—For expansion and working capital **Office**—901 Seneca Ave., Brooklyn 27, N. Y. **Underwriter** — Sano & Co., 15 William St., New York, N. Y.

Carraco Oil Co., Ada, Okla.
Nov. 10 (letter of notification) 200,000 shares of common stock. **Price**—$1.50 per share. **Proceeds** — For general corporate purposes. **Underwriter** — Berry & Co., New York.

Cemex of Arizona, Inc.
Nov. 17 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Address**—P. O. Box 1849, 3720 E. 32nd Street, Yuma, Ariz. **Underwriter**—L. A. Huey Co., Denver, Colo.

• Central Hudson Gas & Electric Corp. (1/27)
Jan. 2 filed 350,000 shares of common stock (no par). **Price** — To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—Kidder, Peabody & Co., New York.

★ Central Illinois Electric & Gas Co.
Jan. 21 filed 145,940 shares of common stock, to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds**—To be used for construction and for payment of bank loans. **Underwriter**—Stone & Webster Securities Corp., New York.

Central Illinois Public Service Co. (1/27)
Dec. 31 filed $12,000,000 first mortgage bonds, series H, due Jan. 1, 1989. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Salomon Bros. & Hutzler. **Bids**—Expected to be received up to 10:30 a.m. (CST) on Jan. 27.

★ Central Mutual Telephone Co., Inc., Manassas, Va.
Dec. 31 (letter of notification) 22,222 shares of common stock (par $10) to be offered for subscription by stockholders of record Dec. 28, 1958 at the rate of four shares of new stock for 11 shares of common stock now held; rights expire on Jan. 26, 1959. **Price**—$12.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**

—Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc., Washington, D. C.

Century Food Markets Co.
Jan. 9 filed 118,112 shares of common stock (par $1) to be offered for subscription by holders of common stock at the rate of one new share for each five shares held. **Price**—$5 per share. **Proceeds**—To discharge bank loan and to replenish working capital. **Underwriter**—Janney Dulles & Battles, Inc., Philadelphia, Pa.

Champion Paper & Fibre Co.
Dec. 19 filed $20,036,400 of 4½% convertible subordinate debentures due Jan. 15, 1984, being offered for subscription by common stockholders of record Jan. 14, 1959 at the rate of $100 of debentures for each 22 shares then held; rights to expire on Jan. 29, 1959. **Price**—At 100% of principal amount. **Proceeds** — To repay outstanding bank loans and for general corporate purposes, including additional working capital and future capital expenditures. **Underwriter**—Goldman, Sachs & Co., New York.

● **City Lands, Inc., New York**
Jan. 13 filed 100,000 shares of capital stock. **Price**—$20 per share. **Proceeds**—To invest in real estate. **Office**—Room 3748, 120 Broadway, New York, N. Y. **Underwriter**—Model, Roland & Stone, New York. **Offering** — Expected in early part of February.

Civic Finance Corp.
Jan. 2 (letter of notification) 6,000 shares of common stock (par $4) to be offered for subscription by holders of stock purchase warrants attached to the 5½% capital notes, series A.. **Price** — $15 per share. **Proceeds** — For working capital. **Office**—633 N. Water Street, Milwaukee, Wis. **Underwriter**—None.

Clute Corp.
Aug. 21 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To pay additional costs of construction; and for retirement of obligations and working capital. **Office** — c/o John Harlan Lowell, 2200 Kenton, Aurora, Colo. **Underwriter**—Lowell, Murphy & Co., Inc., Denver, Colo.

Combustion Engineering, Inc.
Dec. 19 filed 64,011 shares of capital stock to be offered in exchange for 81,002 shares of the outstanding common stock and for 2,131 shares of the outstanding $100 par preferred stock of General Nuclear Engineering Corp., at the rate of seven shares and 3.4302 shares of Combustion Engineering stock for each 10 shares of common stock and each share of preferred stock, respectively, of General Nuclear Engineering (of Dunedin, Fla.).

Commerce Oil Refining Corp.
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Commercial Investors Corp.
Nov. 28 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For investment. **Office**—450 So. Main St., Salt Lake City, Utah. **Underwriter**—Earl J. Knudson & Co., Salt Lake City, Utah.

★ **Connecticut Light & Power Co. (2/6)**
Jan. 16 filed 795,000 shares of common stock (no par) to be offered to common stockholders of record Feb. 5, 1959, at the rate of one new share for each unit of 10 shares or less then held; rights to expire about Feb. 24. Certain officers and employees of the company and its subsidiaries will be entitled to purchase shares not subscribed for by stockholders. **Price**—To be supplied by amendment. **Proceeds**—Together with funds available from internal sources are to be used to repay certain outstanding bank loans, to finance in part the company's 1959 construction program, and for other corporate purposes. **Underwriters** — Morgan Stanley & Co., New York; Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; Estabrook & Co., New York and Boston, Mass.

Consolidated Edison Co. of New York, Inc. (1/27)
Dec. 23 filed a maximum of $59,778,600 of convertible debentures due Aug. 15, 1973, to be offered for subscription by common stockholders at the rate of $100 principal amount of debentures for each 25 shares of stock held of record on Jan. 26, 1959; rights to expire on Feb. 13. **Price**—100% (flat). **Proceeds**—To repay short-term bank notes, and for additions to utility plant. **Underwriters**—Morgan Stanley & Co. and The First Boston Corp., both of New York.

Consumers Cooperative Association, Kansas City, Mo.
Oct. 29 filed $6,000,000 of 5½% 25-year subordinated certificates of indebtedness, and 60,000 shares of 5½% preferred stock (cumulative to extent earned before patronage refunds). **Price**—For certificates at $100 per unit; and the preferred stock at $25 per share. **Proceeds**—For retirement of maturing certificates of indebtedness, redemptions on request of certificates of indebtedness prior to maturity and of 5½% preferred stock; the possible improvement and expansion of present facilities; and the acquisition of manufacturing plants and crude oil properties if favorable opportunities therefore arise. **Underwriter**—None.

Counselors Research Fund, Inc., St. Louis, Mo.
Feb. 5, 1958, filed 100,000 shares of capital stock, (par one cent). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Counselors Research Sales Corp., St. Louis. Robert H. Green is President.

Cryogenic Engineering Co.
Sept. 22 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds** — For repayment of loan; purchase of plant and office equipment; raw materials and supplies; and for working capital, etc. **Office**—U. W. National Bank Bldg., 1740 Broadway, Denver, Colo. **Underwriter**—L. A. Huey, Denver, Colo.

★ **Denmark (Kingdom of) (2/5)**
Jan. 16 filed $15,000,000 of 15-year External Loan Bonds of 1959. **Price**—To be supplied by amendment. **Proceeds**—To be added initially to the Kingdom's foreign exchange reserves and may be applied to the acquisition of capital equipment required for the development of the Danish economy. **Underwriters** — Kuhn, Loeb & Co., Smith, Barney & Co., Harriman Ripley & Co., Inc., and Lazard Freres & Co., all of New York.

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. **Office**—Toronto, Canada, and Emporium, Pa. **Underwriter**—None.

Diversified Inc., Amarillo, Texas
Jan. 6 filed 300,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—For acquisition of undeveloped real estate, for organization or acquisition of consumer finance business, and balance to be used for working capital. **Underwriter** — Investment Service Co., Denver, Colo., on a best efforts basis.

Edgcomb Steel of New England, Inc.
Dec. 5 (letter of notification) 30,000 shares of class A common stock (par $5). **Price**—$10 per share. **Proceeds**—To pay off current notes payable to bank and to increase working capital. **Office** — 950 Bridgeport Ave., Milford, Conn. **Underwriter**—None.

● **Electro-Voice, Inc., Buchanan, Mich. (2/2-6)**
Jan. 13 filed 150,000 shares of capital stock (par $2), of which 75,000 shares will be offered for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—F. S. Moseley & Co., Boston, Mass.

Erie Forge & Steel Corp.
Jan. 9 filed 237,918 shares of common stock, to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—To complete modernization and expansion program and for working capital. **Underwriters**—Lee Higginson Corp., and P. W. Brooks & Co., Inc., both of New York City.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20, 1958, filed 300,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To cover operating expense during the development period of the corporation. **Underwriter**—None.

★ **Falstaff Brewing Corp.**
Jan. 15 (letter of notification) an undetermined number of shares of common stock (par $1), not to exceed an aggregate of $300,000, to be offered to employees pursuant to an Employees Stock Purchase Plan. **Price**—95% of the market price at the time of purchase. **Proceeds**—

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NEW ISSUE CALENDAR

January 23 (Friday)

Mobile Gas Service Corp.________________Common
(Offering to stockholders—underwriten by The First Boston Corp. and Robinson, Humphrey & Co.) 33,000 shares

National State Bank________________Common
(Offering to stockholders—underwritten by Clark, Dodge & Co.) $4,000,000

January 26 (Monday)

Arnold Altex Aluminum Co.________________Common
(Cruttenden, Podesta & Co.) 350,000 shares

Florida Public Utilities Co.________________Preferred
(White, Weld & Co.; Starkweather & Co.; and Clement A. Evans & Co., Inc.) $650,000

Spur Oil Co.________________Common
(Equitable Securities Corp.) 1,000,000 shares

Wen Wood Organizations, Inc.________________Common
(Michael G. Kletz & Co., Inc.) $300,000

January 27 (Tuesday)

Avco Manufacturing Corp.________________Debentures
(Offering to stockholders-underwritten by Lehman Brothers and Emanuel, Deetjen & Co.) $15,000,000

Central Hudson Gas & Electric Corp.________________Common
(Kidder, Peabody & Co.) 350,000 shares

Central Illinois Public Service Co.________________Bonds
(Bids 11:30 a.m. EST) $12,000,000

Consolidated Edison Co. of New York, Inc.________________Debs.
(Offering to stockholders—to be underwritten by Morgan Stanley & Co. and The First Boston Corp.) $59,778,000

Surrey Oil & Gas Corp.________________Common
(Peter Morgan & Co.) $900,000

Technology Instrument Corp.________________Common
(Shearson, Hammill & Co.) 130,000 shares

Transcontinental Gas Pipe Line Corp.________________Bonds
(White, Weld & Co and Stone & Webster Securities Corp.) $35,000,000

January 28 (Wednesday)

Holiday Inns of America, Inc.________________Common
(Offering to stockholders—underwritten by Equitable Securities Corp.) 35,298 shares

Inland Steel Co.________________Bonds
(Kuhn, Loeb & Co.) $50,000,000

Northwest Natural Gas Co.________________Bonds
(Lehman Brothers) $7,000,000

Puerto Rico (Commonwealth of)________________Bonds
(Bids 11 a.m. EST) $20,000,000

February 2 (Monday)

Bargain City, U. S. A., Inc.________________Common
(No underwriter) $15,000,000

Blossman Hydratane Gas, Inc.________________Debens. & Com.
(S. D. Fuller & Co. and Howard Weil, Labouisse, Friedrichs & Co.) $1,200,000 debentures and 120,000 common shares

Electro-Voice, Inc.________________Common
(F. S. Moseley & Co.) 150,000 shares

Nelly Don, Inc.________________Common
(Stern Brothers & Co. and Barret, Fitch, North & Co., Inc.) 52,600 shares

February 3 (Tuesday)

Bobbie Brooks, Inc.________________Common
(Offering to stockholders—underwritten by Bache & Co.) 150,000 shares

Universal Oil Processes, Inc.________________Common
(Lehman Brothers; Smith, Barney & Co.; and Merrill Lynch, Pierce, Fenner & Smith, Inc.) 2,900,000 shares

February 4 (Wednesday)

Denver & Rio Grande Western RR.
Equip. Trust Ctfs.
(Bids noon MST) $2,190,000

Southern Co.________________Common
(Bids 11:30 a.m. EST) 1,350,000 shares

February 5 (Thursday)

Denmark (Kingdom of)________________Bonds
(Kuhn, Loeb & Co.; Smith, Barney & Co.; Harriman Ripley & Co., Inc.; and Lazard Freres & Co.) $15,000,000

Reynolds Metals Co.________________Preferred
(Dillon, Read & Co., Inc.; Reynolds & Co., Inc.; and Kuhn, Loeb & Co.) $55,000,000

February 6 (Friday)

Connecticut Light & Power Co.________________Common
(Offering to stockholders—underwritten by Morgan Stanley & Co.; Putnam & Co.; Chas. W. Scranton & Co.; and Estabrook & Co.) 795,000 shares

Rochester Gas & Electric Corp.________________Common
(Offering to stockholders—to be underwritten by The First Boston Corp.) 280,000 shares

February 9 (Monday)

Fidelity Capital Fund, Inc.________________Common
(Hornblower & Weeks and The Crosby Corp.) $12,000,000

Investors Research Fund, Inc.________________Common
(Bache & Co.) $5,891,280

February 12 (Thursday)

Government Employees Variable Annuity Life Insurance Co.________________Common
(Offering to stockholders—underwritten by Johnston, Lemon & Co.; Eastman Dillon, Union Securities & Co. and Abacus Fund) $7,500,000

February 16 (Monday)

Sire Plan of Elmsford, Inc.________________Debentures & Pfd.
(Sire Plan Portfolios, Inc.) $500,000

February 17 (Tuesday)

Public Service Co. of Indiana, Inc.________________Bonds
(Bids to be invited) $25,000,000

February 18 (Wednesday)

Southern Pacific Co.________________Equip. Trust Ctfs.
(Bids noon CST) $7,125,000

February 24 (Tuesday)

Duquesne Light Co.________________Bonds
(Bids to be invited) $10,000,000

February 25 (Wednesday)

Illinois Bell Telephone Co.________________Bonds
(Bids to be invited) $50,000,000

March 3 (Tuesday)

Pacific Power & Light Co.________________Common
(Bids to be invited)

April 2 (Thursday)

Gulf Power Co.________________Bonds
(Bids to be invited) $7,000,000

April 15 (Wednesday)

Wisconsin Power & Light Co.________________Bonds
(Bids to be invited) $14,000,000

April 30 (Thursday)

Alabama Power Co.________________Bonds
(Bids to be invited) $20,000,000

May 28 (Thursday)

Southern Electric Generating Co.________________Bonds
(Bids to be invited) $25,000,000

June 2 (Tuesday)

Virginia Electric & Power Co.________________Common
(Bids to be received) $20,000,000 to $25,000,000

June 25 (Thursday)

Mississippi Power Co.________________Bonds
(Bids to be invited) $5,000,000

September 10 (Thursday)

Georgia Power Co.________________Bonds
(Bids to be invited) $18,000,000

Postponed Financing

Montana Power Co.________________Bonds
(Bids to be invited) $20,000,000

Pennsylvania Power Co.________________Bonds
(Bids to be invited) $8,000,000

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To purchase stock. **Office**—5050 Oakland Ave., St. Louis, Mo. **Underwriter**—None.

★ Federal Oil & Exploration Co.
Jan. 8 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office** — 715 North Ninth St., Las Vegas, Nev. **Underwriter**—None.

Federated Corp. of Delaware
Dec. 29 filed $918,000 of 6% convertible subordinated debentures due 1968. The company proposes to offer $210,000 of the debentures to purchase the capital stock of Consumers Time Credit, Inc., a New York company; $442,000 of the debentures in exchange for Consumers debentures; and $226,000 of the debentures in exchange for the outstanding 12% debentures of three subsidiaries of Federated. **Office**—1 South Main Street, Port Chester, N. Y. **Underwriter**—None.

Federated Finance Co.
Nov. 17 (letter of notification) $300,000 of 10-year 6% senior subordinated debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds** — For working capital, to make loans, etc. **Office**—2104 "O" St., Lincoln, Neb. **Underwriters** — J. Cliff Rahel & Co. and Eugene C. Dinsmore, Omaha, Neb.

Fidelity Capital Fund, Inc., Boston, Mass. (2/9)
Jan. 12 filed 1,000,000 shares of capital stock. **Price**—$12 per share. **Proceeds** — For investment. **Distributors**—Hornblower & Weeks, Chicago, Ill., and The Crosby Corp., Boston, Mass.

Finance For Industry, Inc.
Dec. 16 filed 200,000 shares of class A common stock. **Price**—At par ($1.50 per share). **Proceeds**—For working capital. **Office**—508 Ainsley Bldg., Miami, Fla. **Underwriter** — R. F. Campeau Co., Penobscot Bldg., Detroit, Mich.

Florida Builders, Inc.
Dec. 1 filed $4,000,000 of 6% 15-year sinking fund subordinated debentures and 40,000 shares of common stock, to be offered in units of $100 principal amount of debentures and one share of common stock. **Price** — $110 per unit. **Proceeds**—For purchase and development of subdivision land, including shopping site; for new equipment and project site facilities; for financing expansion program; and for liquidation of bank loans and other corporate purposes. **Office**—700 43rd St., South, St. Petersburg, Fla. **Underwriter**—None.

Florida Public Utilities Co. (1/26-30)
Jan. 7 filed 32,500 shares of cumulative convertible preferred stock (par $20). **Price** — To be supplied by amendment. **Proceeds**—To finance part of company's construction program. **Underwriters**—White, Weld & Co., Starkweather & Co., both of New York; and Clement A. Evans & Co., Inc., Atlanta, Ga.

Fluorspar Corp. of America
Oct. 14 (letter of notification) 133,333 shares of common stock (par 25 cents). **Price**—$2.25 per share. **Proceeds**—For mining expenses. **Office**—4334 S. E. 74th Ave., Portland 6, Ore. **Underwriter** — Ross Securities Inc., New York, N. Y.

Fort Pierce Port & Terminal Co.
Nov. 25 filed 2,138,500 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To pay short-term loans and for completing company's Port Development Plan and rest added to general funds. **Office** — Fort Pierce, Fla. **Underwriter**—Frank B. Bateman, Ltd., Palm Beach, Fla.

Foundation Investment Corp., Atlanta, Ga.
Jan. 13 filed 231,988 shares of common stock to be offered for subscription by stockholders; unsold portion to be offered publicly. **Price**—$12.50 per share. **Proceeds**—To repay notes. **Office**—515 Candler Bldg., Atlanta, Ga. **Underwriter**—None.

● Gas Light Co. of Columbus
Dec. 30 (letter of notification) 15,000 shares of common stock (par $5) being offered for subscription by stockholders of record Jan. 15 on a pro rata basis; rights to expire on Feb. 5. **Price**—$19 per share. **Proceeds**—For working capital. **Office** — 107 13th St., Columbus, Ga. **Underwriter**—None.

General Alloys Co.
Nov. 17 (letter of notification) 45,250 shares of common stock (par $1) of which 16,900 shares are to be offered to employees and the remainder to the public. **Price**—To employees, $1.1805 per share. **Proceeds**—To purchase and install machinery and equipment. **Office**—367-405 West First St., Boston, Mass. **Underwriter**—William S. Prescott & Co., Boston, Mass.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). **Bids**—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

Government Employees Variable Annuity Life Insurance Co. (2/12)
Nov. 13 filed 2,500,000 shares of common stock (par $1) to be offered by company on or about Feb. 12, 1959, viz: (1) to holders of common stock (par $4) of Government Employees Insurance Co., on the basis of one warrant per share of stock held on Jan. 30, 1959 (1,334,570 shares are now outstanding); (2) to holders of common stock (par $1.50) of Government Employees Life Insurance Co., on the basis of 1½ warrants per share of stock held on Jan. 30, 1959 (216,429 shares are now outstanding); and (3) to holders of common stock (par $5) of Government Employees Corp., on the basis of ½ warrant per share of stock held on Jan. 30, 1959 (as of Sept. 30, 1958 there were 143,127 shares of stock outstanding and $614,360 of 5% convertible capital debentures due 1967, convertible into shares of common at $28.0374 per share. If all these debentures were converted into common stock prior to the record date, a total of 164,724 common shares would be outstanding. Warrants will expire on Feb. 27, 1959. **Price**—$3 per share. **Proceeds**—For capital and surplus. **Office** — Government Employees Insurance Building, Washington, D. C. **Underwriters** — Johnston, Lemon & Co., Washington, D. C.; Eastman Dillon, Union Securities & Co., New York; and Abacus Fund, Boston, Mass.

● Grain Elevator Warehouse Co.
Nov. 3 filed 100,000 outstanding shares of common stock (par 10 cents). National Alfalfa Dehydrating & Milling Co., holder of the 100,000 common shares is offering to its common stockholders preferential warrants to subscribe to 98,750 shares of Grain Elevator stock on the basis of one warrant to purchase one-eighth share of Grain Elevator stock for each share of National Alfalfa common held on Jan. 19, 1959; rights to expire Feb. 16. **Price**—$2 per share. **Proceeds**—To selling stockholder. **Office** — 927 Market Street, Wilmington, Del. **Underwriter**—None. Statement effective Jan. 12.

● Grand Union Co.
Oct. 29 filed 187,534 shares of common stock (par $5) being offered in exchange for outstanding common stock of Sunrise Supermarkets Corp. at the rate of one share of Grand Union stock for each 2.409 shares of Sunrise stock. The offer was declared effective as of Dec. 31, 1958, and has been extended to expire on Jan. 23.

Great American Publications, Inc.
Dec. 15 (letter of notification) 130,000 shares of common stock (par 10 cents), of which 30,000 shares will be offered for 30 days to the company's employees, and to the company's news dealers, wholesalers and distributors and their employees at $1.65 per share; and 100,000 shares will be offered to general public at $2 per share. **Proceeds**—To satisfy creditors' claims and for general corporate purposes. **Office**—41 E. 42nd St., New York 17, N. Y. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York 5, N. Y.

Guaranty Life Insurance Co. of America
Nov. 14 filed 88,740 shares of class A common capital stock (par $1.80). **Price**—$5.35 per share. **Proceeds**—To increase capital and surplus. **Office**—815 15th Street, N. W., Washington, D. C. **Underwriter**—None. Statement effective Dec. 19.

● Hamilton Oil & Gas Corp.
Oct. 22 filed 1,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—To acquire funds to test drill, explore, and develop oil and gas properties. **Underwriter**—None. [The registration includes an additional 588,000 common shares issuable upon exercise of 1,176,000 options rights previously offered (Oct. 19, 1957), which rights entitle the original purchaser thereof to purchase one-half share of stock at 50 cents per share at the expiration of 13 months after commencement of such offering.] Stop order proceedings instituted by SEC on Jan. 15.

Heartland Development Corp.
Oct. 23 (letter of notification) 22,820 shares of non-voting convertible preference stock (par $12) to be offered for subscription by stockholders on the basis of one share of convertible preference stock for each 10 shares of common stock held on or about Nov. 1, 1958. Stockholders will have 45 days in which to exercise the rights. **Price** — At par. **Proceeds** — To repay debts, acquisition of investments, and for general purposes. **Address**—P. O. Box-348, Albany, N. Y. **Underwriter**—None.

Heliogen Products, Inc.
Oct. 22 (letter of notification) 28,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For payment of past due accounts and loans and general working capital. **Office** — 35-10 Astoria Blvd., L. I. C. 3, N. Y. **Underwriter**—Albion Securities Co., Suite 1512, 11 Broadway, New York 4, N. Y.

● Highland Telephone Co.
Dec. 29 (letter of notification) 2,250 shares of common stock (no par) being offered for subscription by common stockholders. **Price** — $45 per share. **Proceeds** — To repay bank loans and for construction of a new telephone plant. **Office**—145 North Main St., Monroe, N. Y. **Underwriter**—None.

Highway Trailer Industries, Inc.
Nov. 24 filed 473,000 outstanding shares of common stock (par 25 cents). **Price**—At prices generally prevailing on the American Stock Exchange. **Proceeds** — To selling stockholders. **Office**—250 Park Avenue, N. Y. **Underwriter**—None.

● Hilton Credit Corp., Beverly Hills, Calif.
Dec. 18 filed 1,927,383 shares of common stock (par $1) being offered for subscription by common stockholders of record Jan. 15 of Hilton Hotels Corp. at the rate of one share of Hilton Credit stock for each two shares of Hilton Hotels stock; rights to expire on Feb. 2. **Price**—$3.25 per share. **Proceeds** — Together with bank loans, will comprise the operating funds of Hilton Credit and will be used for general corporate purposes and to finance the company's purchase of charge accounts from Hilton Hotels and other establishments who may agree to honor Carte Blanche cards. **Underwriter** — Carl M. Loeb, Rhoades & Co., New York.

Hinsdale Raceway, Inc., Hinsdale, N. H.
Dec. 29 filed capital trust certificates evidencing 1,000,000 shares of capital stock, and 2,000 debenture notes. **Price**—The common stock at par ($1 per share) and the notes in units of $500 each. **Proceeds**—For construction of a track, including land, grandstand, mutual plant building, stables and paddock, dining hall, service building, administrative building, penthouse, tote board and clubhouse. **Underwriter**—None.

Hoagland & Dodge Drilling Co., Inc.
June 12 filed 27,000 shares of capital stock. **Price**—$10 per share. **Proceeds**—To be used in part for the exploration of mines and development and operation of mines and in payment of indebtedness. **Office**—Tucson, Ariz. **Underwriter**—None.

● Holiday Inns of America, Inc. (1/28)
Dec. 30 filed 35,298 shares of common stock, to be offered for subscription by common stockholders (other than the Board Chairman and President and their families) at the rate of one new share for each four shares held on or about Jan. 27. **Price**—To be supplied by amendment. **Proceeds**—In addition to other funds, to be added to working capital and to complete the current portions of construction costs. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

● Home Owners Life Insurance Co.
Dec. 19 filed 153,840 shares of common stock to be offered for subscription by stockholders (for a 14-day standby) on the basis of one additional share for each two shares held as of Jan. 21, 1959; rights to expire on Feb. 5. **Price**—$6 per share. **Proceeds**—For working capital. **Office** — Fort Lauderdale, Fla. **Underwriter**—H. Hentz & Co., New York. **Offering** — Expected today (Jan. 22).

Home-Stake Production Co., Tulsa, Okla.
Nov. 5 filed 116,667 shares of common stock (par $5). **Price**—$6 per share. **Proceeds**—For working capital and general corporate purposes. **Office** — 2202 Philtower Bldg., Tulsa, Okla. **Underwriter**—None.

★ Hygrade Food Productions Corp.
Jan. 12 (letter of notification) 10,000 shares of common stock (par $5). **Price**—At market on the American Stock Exchange. **Proceeds**—To Phillip Fleischer the selling stockholder. **Office**—2811 Michigan Ave., Detroit, Mich. **Underwriter**—None.

I. C. P. Israel Citrus Plantations Ltd.
Dec. 23 filed 750,000 shares of common stock. **Price**—$1 per share. **Proceeds**—To be used for new packing houses, for purchase of citrus groves and for the planting of new groves. **Office**—Tel Aviv, Israel. **Underwriters**—None.

★ Idaho Egg Producers
Jan. 12 (letter of notification) $50,000 principal amount of 6% certificates of indebtedness due 15 years from date thereof. **Price**—At par. **Proceeds**—To call and pay the principal and accrued interest of the presently outstanding and issued certificates. **Office**—523 Main St., Caldwell, Idaho. **Underwriter**—None.

Industrial Minerals Corp., Washington, D. C.
July 24 filed 600,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To develop and operate graphite and mica properties in Alabama. **Underwriters**—Dearborn & Co. and Carr-Rigdom & Co., both of Washington, D. C., on a best efforts basis. Statement effective Nov. 18.

● Industro Transistor Corp. (N. Y.)
Feb. 28, 1958, filed 150,000 shares of common stock (par 10 cents); reduced to 135,000 shares by amendment subsequently filed. **Price**—To be related to the market price. **Proceeds**—For working capital and to enlarge research and development department. **Underwriter**—S. D. Fuller & Co., New York, has terminated its underwriting agreement it was announced on Jan. 16. Stop order proceedings instituted by SEC.

Inland Steel Co. (1/28)
Jan. 8 filed $50,000,000 of first mortgage bonds, series L, due Feb. 1, 1989. **Price**—To be supplied by amendment. **Proceeds**—For working capital and capital expenditures. **Underwriter**—Kuhn, Loeb & Co., New York.

International Bank, Washington, D. C.
Dec. 29 filed $5,000,000 of notes (series B, $500,000, two-year, 3% per unit; series C, $1,000,000, four-year 4% per unit; and series D, $3,500,000, 6-year, 5% per unit). **Price**—100% of principal amount. **Proceeds** — For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

Investment Corp. of Florida
Oct. 9 (letter of notification) 55,555 shares of common stock (par two cents). **Price**—$4.50 per share. **Proceeds**—For capital account and paid-in surplus. **Office**—Atlantic Federal Building, 1750 E. Sunrise Boulevard, Ft. Lauderdale, Fla. **Underwriter**—None.

Investors Research Fund, Inc. (2/9)
Jan. 9 filed 490,940 shares of common stock. **Price**—$12 per share. **Proceeds**—For investment. **Office**—922 Laguna St., Santa Barbara, Calif. **Investment Advisor**—Investors Research Co., Santa Barbara, Calif. **Underwriter**—Bache & Co., New York.

● Israel (The State of)
Jan. 8 filed $300,000,000 of second development bonds, part to consist of 15-year 4% dollar coupon bonds (to be issued in five series maturing serially from March 1, 1974 to March 1, 1978) and 10-year dollar savings bonds (each due 10 years from first day of the month in which issued). **Price**—100% of principal amount. **Proceeds**—For improvements, etc. **Underwriter**—Development Corp. for Israel, 215 Fourth Ave., New York City. **Offering**—Expected early in March, 1959.

Itemco Inc.
Nov. 28 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire machinery and equipment and additional space for test laboratories; and for working capital. **Office**—4 Manhasset Ave., Port Washington, L. I., N. Y. **Under-**

writer — B. Fennekohl & Co., 205 East 85th St., New York, N. Y.

Jet-Aer Corp., Paterson, N. J.
Dec. 5 (letter of notification) 10000 shares of class A common stock (par $1.50). **Price** — $10 per share. **Proceeds**—For purchase of modern automatic filling equipment and for marketing and advertising program. **Office**—85-18th Ave., Paterson, N. J. **Underwriter**—None.

★ Keystone Custodian Funds, Inc.
Jan. 15 filed (by amendment) an additional 1,000,000 Keystone Custodian Fund Certficates of Participation Series S2. **Price**—At market. **Proceeds**—For investment.

Kimberly-Clark Corp.
Dec. 30 filed 225,000 shares of common stock to be offered in exchange for the common stock of the American Envelope Co. of West Carrollton, Ohio, on the basis of three-quarters of a share of Kimberly stock for each share of American. The offer will expire on Feb. 27, 1959. The exchange is contingent on acceptance by all of the stockholders.

Laure Exploration Co., Inc., Arnett, Okla.
Dec. 23 filed 400,000 shares of common stock. **Price**—$2 per share. **Proceeds**—For machinery and equipment and exploration purposes. **Underwriter**—None.

Life Insurance Securities Corp.
March 28, 1958, filed 1,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." **Underwriter**—First Maine Corp., Portland, Me.

● Los Angeles Drug Co.
Oct. 3 filed 50,000 shares of capital stock (no par) being offered for subscription by holders of outstanding stock of record Jan. 2 on a pro rata basis; rights to expire on Jan. 30. **Price**—$10.50 per share to stockholders; $11.50 to public. **Proceeds**—To reduce short term bank loans and for working capital. **Office** — Los Angeles, Calif. **Underwriter** — Dempsey-Tegeler & Co., Los Angeles, Calif.

LuHoc Mining Corp.
Sept. 29 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds** — For the acquisition of properties under option and for various geological expenses, test drilling, purchase of equipment, and other similar purposes. **Offices**—Wilmington, Del., and Emporium, Pa. **Underwriter**—None.

M. C. A. Credit Co., Inc., Miami, Fla.
Oct. 6 filed 100,000 shares of common stock. **Price**—$5 per share. **Proceeds**—To reduce current indebtedness to Walter E. Heller & Co. **Underwriter**—Plymouth Bond & Share Corp., Miami, Fla.

Mairco, Inc.
Jan. 6 (letter of notification) 600 shares of common stock to be offered for subscription by stockholders of record Jan. 10, 1959 on the basis of one share of additional common stock for each five shares held; rights to expire on Jan. 30, 1959. **Price**—At par ($100 per share). **Proceeds**—For inventory and working capital. **Office**—1026 N. Main Street, Goshen, Ind. **Underwriter**—None.

Mammoth Mountain Inn Corp.
Dec. 10 (letter of notification) 70,000 shares of common stock (par $5). **Price**—$5.50 per share. **Proceeds**—To be used to build and operate and all-year resort hotel. **Office**—Suite 204, 8907 Wilshire Blvd., Beverly Hills, Calif. **Underwriter**—None. Letter to be amended.

★ Marley Co.
Jan. 9 (letter of notification) 17,241 shares of common stock (par $2) to be offered only to certain salaried employees and sales representatives and agents of the company pursuant to the terms of an option and stock purchase agreement. **Price**—$17.40 per share. **Proceeds**—For working capital. **Office**—222 West Gregory Blvd., Kansas City 14, Mo. **Underwriter**—None.

★ Mercantile Acceptance Corp. of California
Jan. 15 (letter of notification) $43,000 principal amount of 12-year 5½% capital debentures. **Price**—At par. **Proceeds**—For working capital. **Office**—333 Montgomery St., San Francisco, Calif. **Underwriter**—Guardian Securities Corp., San Francisco, Calif.

Merchants Petroleum Co.
Oct. 8 (letter of notification) 159,395 shares of common stock (par 25 cents) being offered for subscription by stockholders of record Nov. 24, 1958 on the basis of one new share for each five shares held; rights to expire Jan. 15, 1959 (with an oversubscription privilege). **Price**—$1.40 per share. **Proceeds** — To reduce bank loan; to increase working capital and for general corporate purposes. **Office**—617 W. 7th Street, Los Angeles, Calif. **Underwriter**—None.

Meyer-Blanke Co.
Dec. 29 (letter of notification) 13,500 shares of common stock (no par). **Price**—At the market (Midwest Stock Exchange). **Proceeds**—To selling stockholders. **Office**—310 Russell St., St. Louis, Mo. **Underwriter**—Smith Moore & Co., St. Louis, Mo.

★ Mid-America Minerals, Inc.
Jan. 19 filed 100 units of participations in Oil and Gas Fund (the "1959 Fund"). **Price**—$15,000 per unit. **Proceeds** — For working capital, etc. **Office** — 500 Mid-America Bank Bldg., Oklahoma City, Okla. **Underwriter**—Midamco, Inc., a wholly-owned subsidiary, Oklahoma City, Okla.

Mid-Atlantic Marina, Inc., Baltimore, Md.
Oct. 28 (letter of notification) 60,000 shares of 7% preferred stock (par $3.50). **Price**—$5 per share. **Proceeds**—For construction of a marina. **Office** — Room 104, Old Town Bank Bldg., Baltimore 2, Md. **Underwriter**—Maryland Securities Co.. Baltimore, Md.

Military Publishing Institute, Inc.
Dec. 9 (letter of notification) 125,000 shares of common stock (par 5 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes and working capital. **Office**—55 West 42nd Street, New York 36, N. Y. **Underwriter**—C. H. Abraham & Co., Inc., 565 Fifth Ave., New York 17, N. Y. **Offering**—Expected in latter part of January or early in February.

Millsap Oil & Gas Co.
Dec. 23 filed 602,786 shares of common stock. **Price**—$1 per share. **Proceeds** — For additional working capital. **Office**—Siloam Springs, Ark. **Underwriter**—None.

Mississippi Chemical Corp., Yazoo City, Miss.
Dec. 24 filed 200,000 shares of common stock (par $5) and 8,000 shares of special common stock (par $75). **Price**—For common stock, $8.75 per share; for special common stock, $131.25 per share. **Proceeds**—For construction program, to purchase shares of Coastal Chemical Corp. (a subsidiary), and the balance will be added to surplus. **Underwriter**—None.

Mobile Gas Service Corp. (1/23)
Dec. 30 filed 33,000 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held of record Jan. 21, 1959 (with an oversubscription privilege); rights to expire Feb. 9, 1959. **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term bank loans incurred for the extension and improvement of gas distribution system. **Underwriters** — The First Boston Corp., New York, and The Robinson-Humphrey Co., Inc., Atlanta, Ga

Montana Power Co.
July 1 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds** — Together with other funds, to be used to repay $15,500,000 in bank loans and to carry on the company's construction program through 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith, and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Kidder Peabody & Co., Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Bids**—Had been expected to be received up to noon (EDT) on Aug. 26 at Room 2033, Two Rector St., New York, N. Y., but company on Aug. 22 again decided to defer sale pending improvement in market conditions.

● Montana Power Co.
July 1 filed 100,000 shares of common stock (no par). The stock will be offered only to bona fide residents of Montana. **Price**—To be related to the current market price on the New York Stock Exchange. **Proceeds**—Together with other funds, to carry on the company's construction program through 1959. **Manager-Dealers** — Smith, Barney & Co., Kidder, Peabody & Co. and Blyth & Co., Inc. **Offering**—Indefinitely postponed.

★ Morrison Cafeterias Consolidated, Inc.
Jan. 12 (letter of notification) 9,000 shares of common stock (par $5) to be offered to employees pursuant to an Employees Stock Purchase Plan. **Price**—$15 per share. **Proceeds**—For working capital. **Address**—P. O. Box 309, Mobile, Ala. **Underwriter**—None.

★ National Land Co. of Arizona
Jan. 16 (letter of notification) 10,000 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds**—To purchase real estate land and improve and subdivide such land into suitable home and building sites. **Office**—4547 North Scottsdale Rd., P. O. Box 321, Scottsdale, Ariz. **Underwriter**—None.

National Theatres, Inc., Los Angeles, Calif.
Dec. 30 filed $20,000,000 5½% sinking fund subordinated debentures due March 1, 1974, stock purchase warrants for 454,545 shares of common stock (par $1) and 485,550 warrants to purchase debentures and stock purchase warrants. The debentures and stock purchase warrants are to be offered in exchange for National Telefilm Associates, Inc. common stock at the rate of $11 of debentures and one warrant to purchase one-quarter of a share of National Theatres, Inc. stock for each NTA share. **Dealer-Managers** — Cruttenden, Podesta & Co., Cantor, Fitzgerald & Co., Inc., and Westheimer & Co.

Naylor Engineering & Research Corp.
Sept. 29 (letter of notification) 300,000 shares of cumulative voting and non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For organizational expenses and first three months' operational expenses. **Office**—1250 Wilshire Blvd., Los Angeles 17, Calif. **Underwriter**—Waldron & Co., San Francisco 4, Calif.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To pay loan; to acquire fishing tools for leasing; and for working capital. **Office**—931 San Jacinto Bldg., Houston, Tex. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

● Nelly Don, Inc. (2/2-6)
Jan. 9 filed 52,600 outstanding shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—3500 E. 17th St., Kansas City, Mo. **Underwriters**—Stern Brothers & Co. and Barret, Fitch, North & Co., Inc., both of Kansas City, Mo.

New Jersey Investing Fund, Inc., New York
Dec. 9 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Investment Adviser and Distributor**—Spear, Leeds & Kellogg, New York.

★ Northern Plastics Corp.
Jan. 8 (letter of notification) 28,500 shares of common stock (par $1) of which 9,500 shares are being offered for a selling stockholder and the remainder for the company. **Price**—$10.50 per share. **Proceeds**—For working capital. **Office**—2nd and Market Sts., La Crosse, Wis. **Underwriter**—Loewi & Co., Milwaukee 2, Wis.

Northwest Natural Gas Co. (1/28)
Jan. 7 filed $7,000,000 of first mortgage bonds due Feb. 1, 1984. **Price**—To be supplied by amendment. **Proceeds**—To be used for partial payment of bank loans. **Underwriter**—Lehman Brothers, New York.

Nylonet Corp.
Nov. 24 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For working capital. **Office**—20th Ave., N. W. 75th St., Miami, Fla. **Underwriter**—Cosby & Co., Clearwater, Fla.

Oak Ridge, Inc.
Sept. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For working capital. **Office**—11 Flamingo Plaza, Hialeah, Fla. **Underwriter** — Henry & Associates, Inc., 11 Flamingo Plaza, Hialeah, Fla.

O. K. Rubber Welders, Inc.
Dec. 15 filed 60,600 shares of common stock, $43,333.33 of 3¼% debentures maturing on or before May 6, 1965, $692,000 of 6% debentures maturing on or before Dec. 31, 1974 and $123,000 of 7% debentures due on or before May 6, 1965. The company proposes to make a public offering of 25,000 shares of common stock at $10 per share. The remaining shares and the debentures are subject to an exchange offer between this corporation O. K. Rubber, Inc., and O. K. Ko-op Rubber Welding System, on an alternative basis. **Proceeds**—Of the public offering, will be used for additional working capital and/or to service part of the company's debt. **Office**—551 Rio Grande Ave., Littleton, Colo. **Underwriter**—None.

● Odlin Industries, Inc.
Nov. 12 filed $250,000 of 5½% convertible debentures and 250,000 shares of common stock (par 10 cents). **Price**—Debentures at 100% and stock at $3 per share. **Proceeds**—To purchase a textile mill, machinery, equipment and raw materials, and to provide working capital. **Office**—375 Park Ave., New York, N. Y. **Underwriter**—Harris Securities Corp., New York, N. Y., has withdrawn as underwriter.

Oil, Gas & Minerals, Inc.
Nov. 16 (letter of notification) 116,000 shares of common stock (par 35 cents). **Price**—$1 per share. **Proceeds**—For development of oil and gas properties. **Office**—513 International Trade Mart, New Orleans 12, La. **Underwriter**—Assets Investment Co., Inc., New Orleans, La.

Oppenheimer Fund, Inc.
Dec. 5 filed 100,000 shares of capital stock. **Price**—At market (about $10 per share). **Proceeds**—For investment. **Office**—25 Broad St., New York. **Underwriter**—Oppenheimer & Co., New York. **Offering** — Expected sometime in February.

● Pacific Automation Products, Inc.
Dec. 31 filed 60,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—William R. Staats & Co., Los Angeles, Calif. **Offering**—Expected today (Jan. 22).

Paramount Mutual Fund, Inc.
Jan. 2 filed 300,000 shares of capital stock. **Price**—Minimum purchase of shares is $2,500. **Proceeds**—For investment. **Office**—404 North Roxbury Drive, Beverly Hills, Calif. **Underwriter**—Paramount Mutual Fund Management. Co.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Pennsylvania Power Co.
Aug. 1 filed $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem a like amount of 5% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White Weld & Co.; Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers, Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). **Bids** — Tentatively had been expected to be received up to 11 a.m. (EDT) on Aug. 27 but company on Aug. 22 decided to defer sale pending improvement in market conditions.

Pennsylvania Power & Light Co.
Dec. 17 filed 295,841 shares of common stock (no par) being offered by the company for subscription by its common stockholders of record Jan. 6, 1959, at the rate of one new share for each 20 shares then held; rights to expire on Jan. 26. Employees will be given a contingent subscription privilege. **Price**—$50 per share. **Proceeds**—To be added to the general funds of the company and used for general corporate purposes. **Underwriters**—The First Boston Corp., New York, and Drexel & Co., Philadelphia, Pa.

★ Pilgrim Helicopter Services, Inc.
Jan. 9 (letter of notification) 12,000 shares of common stock (par $3). **Price** — $5 per share. **Proceeds** — For working capital. **Office**—Investment Bldg., Washington 5, D. C. **Underwriter**—Sade & Co., Washington 5, D. C.

Pioneer Trading Corp., Bayonne, N. J.
Nov. 10 filed 10,000 shares of $8 cumulative preferred stock, series A (par $100) and $1,000,000 of 8% subordinated debentures, series A, due Dec. 1, 1968 to be offered in units of a $500 debenture and five shares of preferred stock. **Price**—$1,000 per unit. **Proceeds** — For general corporate purposes. **Underwriter**—None.

★ Pittsburgh-Des Moines Steel Co.
Jan. 9 (letter of notification) 5,555 shares of common stock (no par) to be offered for subscription by stockholders and certain employees. **Price**—$54 per share.

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Proceeds—For working capital. **Address**—Neville Island, Pittsburgh 25, Pa. **Underwriter**—None.

Plastic Applicators, Inc.
Dec. 29 (letter of notification) $150,000 of 6% convertible sinking fund debentures due Jan. 2, 1969 and 30,000 shares of common stock (par $1). **Price**—Of debentures, at par; of stock, $5 per share. **Proceeds** — To purchase new equipment and for working capital. **Office**—7020 Katy Rd., Houston, Tex. **Underwriter**—A. G. Edwards & Sons, St. Louis 1, Mo.

Prairie Fibreboard Ltd.
Aug. 18 filed 209,993 shares of common stock (par $1.50, to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $3 per share. **Proceeds** — For construction purpose. **Office** —Saskatoon, Saskatchewan Canada. **Underwriter**—Allied Securities Ltd., and United Securities, Ltd., both of Saskatoon, Canada.

★ **Pryor Mining Co., Hardin, Mont.**
Jan. 8 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Address** — Box 301, Bridger, Mont. **Underwriter**—None.

★ **Public Service Co. of Indiana, Inc. (2/17)**
Jan. 21 filed $25,000,000 of first mortgage bonds, series M, due Feb. 1, 1989. **Proceeds**—To repay bank loans and for construction costs. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Blyth & Co., Inc.; Glore, Forgan & Co.; Harriman, Ripley & Co. Inc. **Bids**—Expected to be received on Feb. 17.

Rassco Financial Corp.
June 26 filed $1,000,000 of 15-year 6% series A sinking fund debentures due 1973, to be offered in denominations of $500 and $1,000. **Price**—At par. **Proceeds**—For working capital and general corporate purposes. **Underwriter** —Rassco Israel Corp., New York, on a "best efforts" basis.

Remo Corp., Orlando, Fla.
Sept. 22 filed 100,000 shares of class A common stock. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter** — Citrus Securities Co. Orlando, Fla.

● **Reynolds Metals Co. (2/5-16)**
Jan. 12 filed 550,000 shares of second preferred stock, convertible series (par $100). **Price**—To be supplied by amendment. **Proceeds**—To be used to the extent required to reimburse the company's treasury for the cost of acquisition of ordinary stock of The British Aluminum Co. Ltd. and to meet the cost of any additional acquisition of such stock. **Underwriters**—Dillon, Read & Co. Inc., Reynolds & Co. Inc.. and Kuhn, Loeb & Co., all of New York.

Richwell Petroleum Ltd., Alberta, Canada
June 26 filed 1,998,716 shares of common stock (par $1) Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. **Price**—To be supplied by amendment **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter** — Pacific Securities Ltd., Vancouver, Canada.

★ **Rochester Gas & Electric Corp. (2/6)**
Jan. 16 filed 280,000 shares of common stock (no par) to be offered for subscription by stockholders of record Feb. 5, 1959, at the rate of one new share for each nine shares, or portion thereof, then held; rights to expire on Feb. 24. Unsubscribed shares to be offered to employees. **Price**—To be supplied by amendment. **Proceeds**—To be used in connection with the company's construction program, including the discharge of short-term obligations, the proceeds of which were so used. **Underwriter**—The First Boston Corp., New York.

Rochester Telephone Corp.
Dec. 18 filed 195,312 shares of common stock (par $10) being offered for subscription by common stockholders of record Jan. 9, 1959 on the basis of one new share for each six shares then held; rights to expire on Jan. 26. **Price**—$21 per share. **Proceeds**—To repay bank borrowings. **Underwriter**—The First Boston Corp., New York.

Routh Robbins Investment Corp.
Sept. 22 filed $1,000,000 of 10-year 6% cumulative convertible debentures and 99,998 shares of common stock **Price**—Of debentures, at par (in units of $100 each); and of stock, $1 per share. **Proceeds** — For investment and working capital. **Office**—Alexandria, Va. **Underwriter**—None.

★ **Safeway Stores, Inc.**
Jan. 14 filed 395,504 shares of common stock to be offered to employees of company and its subsidiaries who hold options to purchase such shares granted pursuant to company's Common Stock Option Plan.

St. Paul Ammonia Products, Inc.
Dec. 29 filed 250,000 shares of common stock (par 2½ cents), to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—$2.50 per share. **Proceeds**—For additional working capital. **Office**—South St. Paul, Minn. **Underwriter**—None.

San Diego Imperial Corp., San Diego, Calif.
Dec. 9 filed 845,000 shares of common stock, to be offered in exchange for all of the 45,000 outstanding shares of capital stock of Silver State Savings & Loan Association and 3,000 shares of capital stock of Silver State Insurance Agency, Inc., both of Denver, Colo.

★ **Saratoga Plastics, Inc., Bellows Falls, Vt.**
Jan. 14 (letter of notification) 18,000 shares of common stock (par $1). **Price** — $1.50 per share. **Proceeds** — To purchase molds and equipment required for the full scale manufacture of portable recording machine units. **Underwriter**—None.

● **Seiberling Rubber Co.**
Dec. 23 filed 106,841 shares of common stock (par $1) being offered to common stockholders on the basis of one new share for each four shares held of record Jan. 19, 1959; rights to expire on Feb. 4. **Price**—$14 per share. **Proceeds**—Together with a proposed $3,000,000 term loan, will be used for general corporate purposes including working capital. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

Service Life Insurance Co.
Sept. 26 (letter of notification) 3,567 shares of common stock (par $1). **Price**—$18.75 per share. **Proceeds**—To go to a selling stockholder. **Office**—400 W. Vickery Blvd., Fort Worth, Tex. **Underwriter**—Kay & Co., Inc., Houston, Tex.

Shares in America, Inc., Washington, D. C.
Dec. 12 filed 50,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office** — 1033-30th St., N. W., Washington 7, D. C. **Investment Advisor**—Investment Fund Management Corp.

Sheridan-Belmont Hotel Co.
Aug. 19 (letter of notification) $250,000 of 6% convertible debentures due Sept. 15, 1963 to be offered for subscription by common stockholders on a pro rata basis. **Price**—At par. **Proceeds**—For working capital. **Office** — 3172 North Sheridan Rd., Chicago 14, Ill. **Underwriter**—None

● **Sire Plan of Elmsford, Inc., New York (2/16)**
Nov. 10 filed $250,000 of 6% 10-year debentures and 5,000 shares of 6% participating preferred stock (par $50) to be offered in units of a $50 debenture and one share of preferred stock. **Price**—$100 per unit. **Proceeds**—For acquisition of motels. **Underwriter**—Sire Plan Portfolios, Inc., New York.

Slick Oil Corp., Houston, Texas
Dec. 8 filed $1,500,000 of participating interests in the corporation's joint venture program, to be offered in minimum amounts of $15,000, payable 20% down and the balance upon demand during 1959. **Proceeds**—To assemble and acquire interests in Canada and Continental United States. **Underwriters**—Rowles, Winston & Co., Houston, Tex., and Dewar, Robertson & Pancoast, San Antonio, Tex.

● **Smith-Corona Marchant, Inc.**
Dec. 24 filed $7,443,100 of 5¼% convertible subordinated debentures due Jan. 1, 1979 being offered for subscription by common stockholders on the basis of $100 principal amount of debentures for each 25 shares of stock held on or about Jan. 15; rights to expire on Jan. 30. **Price**—100% of principal amount. **Proceeds**—To reduce bank loans and for working capital. **Underwriter** — Lehman Brothers, New York.

Southern Co. (2/4)
Jan. 9 filed 1,350,000 shares of common stock (par $5). **Proceeds**—For payment of short-term bank loans, for investment in common stocks of subsidiaries and general corporate purposes, including additional investments in operating affiliates. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Morgan Stanley & Co.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Lehman Brothers. **Bids**—Expected up to 11:30 a.m. (EST) on Feb. 4 at 250 Park Avenue, New York, N. Y.

★ **Special Situation Real Estate & Development Corporation**
Jan. 8 (letter of notification) 120,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To purchase and develop properties. **Office**—130 Park Ave., New York, N. Y. **Underwriter**—None.

★ **Sportonics Corp.**
Jan. 13 (letter of notification) 600 shares of common stock (par $5) and $25,000 convertible debenture bonds. **Price**—$5.25 per share for stock; and par for bonds (in denominations of $25 each). **Proceeds**—To finance additional sales and service facilities at the Fort Montgomery Marine and Yacht Club and for working capital. **Office**—Mine & Dock Roads, Fort Montgomery, N. Y. **Underwriter**—None.

Sports Arenas (Delaware) Inc.
Nov. 18 filed $2,000,000 of 6% 10-year convertible debentures (subordinated), due Jan. 1, 1969. **Price**—To be supplied by amendment. **Proceeds**—$750,000 to pay AMF Pinspotters, Inc. for bowling alley beds; $350,000 to pay for other installations, fixtures and equipment; $85,000 to expand two present establishments by increasing the number of alley beds by eight at Yorktown Heights and by six at Wilton Manor Lanes, Fort Lauderdale; $300,000 for deposits on leaseholds, telephones and utilities; and $395,000 for working capital. **Underwriter**—None.

Sports Arenas (Delaware) Inc.
Nov. 18 filed 461,950 shares of common stock (par one cent). **Price**—At the market (but in no event less than $6 per share). **Proceeds**—To selling stockholders. **Office** —33 Great Neck Rd., Great Neck, N. Y. **Underwriter**—None.

● **Spur Oil Co. (1/26-30)**
Dec. 15 filed 1,000,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—Together with $6,500,000 of borrowings, will be used for the acquisition of Spur Distributing Co., Inc., and for general corporate purposes. **Office**—Eighth Ave. South and Bradford Ave., Nashville, Tenn. **Underwriter** — Equitable Securities Corp., Nashville, Tenn.

Standard Sign & Signal Co.
Dec. 17 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To promote and expand the development of the Safety School Shelter business. **Office**—c/o Brown Kendrick, 6130 Preston Haven Drive, Dallas, Texas. **Underwriter** —Sano & Co., New York, N. Y. **Offering**—Not expected until after Jan. 31, 1959.

State Life, Health & Accident Insurance Co.
July 9 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be invested in stocks and bonds and to acquire other life insurance companies. **Address**—P. O. Box 678, Gulfport, Miss. **Underwriter**—Gates, Carter & Co., Gulfport, Miss.

Strategic Minerals Corp. of America, Dallas, Tex.
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price** —For bonds, 95% of principal amount; and for stock $3 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

● **Surrey Oil & Gas Corp., Dallas, Tex. (1/27)**
Nov. 12 filed 300,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—To retire current liabilities and for drilling and exploration costs and working capital. **Underwriter**—Peter Morgan & Co., New York.

★ **Swift & Co.**
Jan. 19 filed 171,525 shares of common stock, deliverable only upon exercise of options to purchase common stock of the company, which options have been issued by the company, without cash consideration, to eligible officers and other management employees of the company and its subsidiaries pursuant to the Stock Option Plan of the company.

Tower Merchandise Mart, Inc., Boulder, Colo.
Nov. 10 filed 500,000 shares of common stock (par $5). **Price**—$10 per share. **Proceeds**—For working capital and construction program. **Underwriter**—Allen Investment Co., Boulder, Colo. Statement effective Dec. 31.

● **Transcontinental Gas Pipe Line Corp. (1/27-28)**
Jan. 7 filed $35,000,000 of first mortgage pipe line bonds, due 1979. **Price** — To be supplied by amendment. **Proceeds**—For property additions and improvements and/or to reduce outstanding notes under company's revolving credit agreement. **Underwriters** — White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Union Bag-Camp Paper Corp.
Jan. 8 filed 23,282 shares of capital stock (par $6.66⅔) to be offered in exchange for shares of capital stock of Highland Container Co. in ratio of 0.58 share of Union Bag for one share of Highland. Unless the exchange offer is accepted prior to its expiration of stockholders holding more than 25,000 of the outstanding shares, the exchange offer will be cancelled. If the exchange offer is so accepted by the holders of more than 25,000, but less than 36,000 such shares, the exchange offer may be cancelled at the option of Union Bag by written or telegraphic notice to the exchange agent given on or before March 4, 1959.

★ **Union Service Corp.**
Jan. 14 filed $607,500 of participations in company's Employees' Thrift Plan, together with 15,000 shares of Tri-Continental Corp. common stock, being the number of such shares which would be purchased under the Plan if all such contributions were invested in Tri-Continental common stock at $40.50 per share, the high sale price thereof on the New York Stock Exchange on Jan. 7, 1959.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

United Security Life & Accident Insurance Co.
Aug. 22 filed 120,000 shares of class A common stock. **Price**—$3 per share. **Proceeds**—To provide the reserves required to be held in life and accident insurance policies, and to pay the necessary expenses in producing insurance. **Office**—Louisville, Ky. **Underwriter**—None. Edmond M. Smith, is President.

United States Glass & Chemical Corp.
Nov. 26 filed 708,750 outstanding shares of common stock. **Price**—At market. **Proceeds** — To selling stockholders. **Office**—Tiffin, Ohio. **Underwriter**—None.

★ **U. S. Land Development Corp., Ft. Lauderdale, Fla.**
Jan. 16 filed 1,055,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — To be added to the company's general funds and used to develop Pineda Island and other properties that may be acquired. **Underwriters**—Aetna Securities Corp., New York, and Roman & Johnson, Ft. Lauderdale, Fla., on a best efforts basis.

Universal Oil Processes, Inc. (2/3-4)
Jan. 13 filed 2,900,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—To purchase from Guaranty Trust Co. of New York, as trustee of the Petroleum Research Fund, all of the outstanding shares of capital stock of Universal Oil Products Co. **Office**—30 Algonquin Road, Des Plaines, Ill. **Underwriters**—Lehman

Brothers, Smith, Barney & Co., and Merrill Lynch, Pierce, Fenner & Smith, Inc., all of New York.

● Wen Wood Organizations, Inc. (1/26-2/6)
Dec. 18 (letter of notification) 100,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For land development and home construction in Florida, and for general corporate purposes. **Office**—62 Third Ave., Mineola, L. I., N. Y. and 2259 Bee Ridge Road, Sarasota, Fla. **Underwriter**—Michael G. Kletz & Co., Inc., 30 Rockefeller Plaza, New York, N. Y.

★ White Pine Mining Co.
Jan. 8 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—Cheney Bldg., 139 North Virginia Street, Reno, Nev. **Underwriter**—None.

★ William Hilton Inn Co.
Jan. 19 filed together with The William Hilton Trust, $600,000 of trust participation certificates, 9,000 shares of class A common stock (non voting), and 1,050 shares of class B common stock (voting); to be offered in 600 units, each consisting of 10 certificates ($100 face amount), 15 class A shares and 1 class B share. **Price**—$1,160 per unit. **Proceeds**—Together with bank borrowings, will be used to purchase from the Sea Pines Plantation Co. a tract of approximately three acres of ocean front property on Hilton Heal Island, to construct the Inn, purchase all furniture, fixtures and equipment necessary to operate the Inn and to provide necessary working capital (and to reimburse Sea Pines Plantation for some $20,000 of costs advanced by it. **Underwriter**—The Johnson, Lane, Space Corp., Savannah, Ga.

Prospective Offerings

Alabama Power Co. (4/30)
Dec. 10 it was announced that the company plans the issue and sale of $20,000,000 of 30-year first mortgage bonds. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Eastman Dillon, Union Securities & Co., Equitable Securities Corp. and Drexel & Co. (jointly); Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly); Morgan Stanley & Co.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Registration**—Planned for April 3. **Bids**—Expected to be received on April 30.

★American Airlines, Inc.
Jan. 13, Wililam J. Hogan, Executive Vice-President, Finance, said this corporation may soon be in the market with a new equity type offering. **Underwriter**—May be Lazard Freres & Co., New York.

American Natural Gas Co.
Dec. 15 it was announced that the company has filed an application with the SEC for the issuance of 486,325 additional shares of common stock (par $25) in the early months of 1959 to stockholders under rights on the basis of one new share for each 10 shares held (with an oversubscription privilege). **Price**—To be determined just prior to offering. **Proceeds**—To be used as the equity base for the financing of substantial expansion programs of system companies. **Underwriter**—To be determined by competitive bidding. Probable bidders: White, Weld & Co. and Drexel & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.

Central Bank & Trust Co., Great Neck, L. I., N. Y.
Dec. 31 it was announced that the stockholders will vote on Jan. 31 on approving a proposed subscription offering of 38,503 additional shares of capital stock. **Price**—$20 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Columbia Gas System, Inc.
Dec. 1 it was reported that the company may issue and sell additional common stock in the first half of 1959. **Proceeds**—To repay outstanding bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Eastman Dillon, Union Securities & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, White, Weld & Co., Shields & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co.

★ Denver & Rio Grande Western RR. (2/4)
Bids will be received by the company at 1531 Stout St., Denver 1, Colo., up to noon (MST) on Feb. 4 for the purchase from it of $2,190,000 equipment trust certificates, series X, maturing semi-annually from Sept. 1, 1959 to March 1, 1974, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Duquesne Light Co. (2/24)
Jan. 13 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Kuhn, Loeb & Co., Eastman Dillon, Union Securities & Co., A. C. Allyn & Co., Inc., and Ladenburg, Thalmann & Co. (jointly); Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; Drexel & Co. and Equitable Securities Corp. (jointly). **Bids**—Scheduled to be received on Feb. 24.

Eastern Utilities Associates
Jan. 5 the trustees approved an offering in early March of 96,765 additional shares of common stock to common stockholders on the basis of one new share for each 12 shares held. **Underwriters**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co.; Stone & Webster Securities Corp.

Equitable Gas Co.
July 18 it was announced that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. **Proceeds**—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. **Underwriters**—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White, Weld & Co., all of New York.

First National Bank & Trust Co., Tulsa, Okla.
Jan. 13 stockholders were to vote to approve a plan to offer 100,000 shares of additional capital stock (par $10) on about a one-for-six basis to stockholders of record Jan. 13, 1959. **Price**—$27 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith, Oklahoma City, Okla.

Georgia Power Co. (9/10)
Dec. 10 it was announced that the company plans to issue and sell $18,000,000 of 30-year first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Shields & Co. (jointly); Lehman Brothers; The First Boston Corp.; Morgan Stanley & Co.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Registration**—Planned for Aug. 14. **Bids**—Expected to be received on Sept. 10.

● Great Atlantic & Pacific Tea Co., Inc.
Dec. 15 the new common voting stock outstanding following 10-for-1 split was listed on the New York Stock Exchange. A large secondary offering has been rumored. **Underwriters** — May include: Blyth & Co., Inc.; Lehman Brothers and Smith, Barney & Co.

Gulf Power Co. (4/2)
Dec. 10 it was announced that the company plans to issue and sell $7,000,000 of 30-year first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith, Salomon Bros. & Hutzler and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co.; Equitable Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blyth & Co., Inc. **Registration**—Planned for March 6. **Bids**—Expected to be received on April 2.

Heublein, Inc.
Aug. 25 it was reported that the company plans early registration of 400,000 shares of common stock; of which 100,000 shares are to be sold for the account of selling stockholders. **Proceeds**—For expansion. **Underwriter**—Glore, Forgan & Co., New York. **Offering**—Expected in 1959.

Illinois Bell Telephone Co. (2/25)
Dec. 24 it was announced company plans to issue and sell $50,000,000 first mortgage bonds dated March 1, 1959 and due March 1, 1994. **Proceeds**—For improvements, etc. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Morgan Stanley & Co.; Glore, Forgan & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received on Feb. 25.

Interstate Motor Freight System, Inc. (Mich.)
Dec. 1 it was reported that the company plans to issue and sell 125,000 shares of common stock. **Underwriters**—A. C. Allyn & Co., Inc. and Walston & Co., Inc.

● Japan (Empire of)
Jan. 7 it was stated that an issue of approximately $30,000,000 of bonds may soon be publicly offered on the American market. **Proceeds** — For public works projects, etc. **Financial Adviser**—The First Boston Corp., New York. **Offering**—Expected early in February.

★ Kansas City Power & Light Co.
Dec. 29 it was reported that the company plans to issue and sell $20,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman, Dillon, Union Securities & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly). **Offering**—Expected in May or June.

Kansas Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year of 1958. The proposed sale was subsequently deferred until early 1959. **Proceeds** — About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp

Laboratory for Electronics, Inc.
July 3, Henry W. Harding, President, announced that the directors are currently considering refinancing $790,000 of outstanding notes ($658,750 held by a principal stockholder and $131,250 by a bank) on a more permanent basis. This may be done through equity or convertible debenture financing. **Office**—75 Pitts St., Boston, Mass.

Louisiana Power & Light Co.
Dec. 29 it was reported that the company plans to issue and sell $7,500,000 of preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co., Blyth & Co., Inc. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Kidder, Peabody & Co. and Harriman Ripley & Co., Inc. (jointly); Salomon Bros. & Hutzler, Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); The First Boston Corp. and Glore, Forgan & Co. (jointly). **Bids**—Expected to be received sometime in April.

Mercantile National Bank, Dallas, Texas.
Jan. 20 the stockholders were to vote on authorizing the issuance of 125,000 additional shares of common stock on the basis of one new share for each 10 shares held. **Price**—$26 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Rauscher, Pierce & Co., Inc. and First Southwest Co., both of Dallas, Texas.

● Miami Window Corp.
Dec. 15 it was reported that the company plans issuance and sale of $2,500,000 6½% debentures due 1974 (with attachable warrants—each $1,000 debenture to carry a warrant to buy 200 shares of common stock at $3 per share). **Underwriters**—Cruttenden, Podesta & Co., Chicago, Ill., and Clayton Securities Corp., Boston, Mass. **Offering**—Expected at end of February.

Mississippi Power Co. (6/25)
Dec. 10 it was announced that this company plans to issue and sell $5,000,000 of 30-year first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Registration**—Planned for May 29. **Bids**—Expected to be received on June 25.

★ Monongahela Power Co.
Dec. 29 it was reported that the company plans the sale of about $16,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp.; W. C. Langley & Co. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received in the latter part of March or the early part of April.

● National State Bank, Newark, N. J. (1/23)
Jan. 13 stockholders voted to approve a proposed offering of about 80,000 shares of common stock to stockholders of record about Jan. 23, 1958, on the basis of one new share for each six shares than held; rights to expire on Feb. 16. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Clark, Dodge & Co., New York.

North American Equitable Life Assurance Co.
Dec. 1 it was announced that the company plans an offering of 950,000 shares of capital stock. **Price** — $10 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—John M. Tait & Associates, Cincinnati, Ohio.

North American Van Lines, Inc.
Nov. 20, James D. Edgett, President, announced company plans early in 1959 to make a public offering of its stock, and has applied to the Interstate Commerce Commission for authority to do so.

Northern Illinois Gas Co.
Dec. 12 it was reported that the company will sell in 1959 about $35,000,000 of new securities, including some first mortgage bonds, in addition, there is a possibility of a preferred stock issue and raising of some funds through common stock financing, "perhaps in the form of convertible debentures." **Proceeds**—For capital expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

Northern Indiana Public Service Co.
Dec. 29 it was reported that the company plans sale of from $25,000,000 to $30,000,000 of first mortgage bonds due 1989. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Eastman Dillon, Union Securities & Co.; The First Boston Corp.; White, Weld & Co.; Dean Witter & Co.; Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Harriman Ripley & Co., Inc. **Bids**—Expected to be received before April 1.

Northern States Power Co. (Minn.)
Dec. 3, Allen S. King, President, announced that the company plans about the middle of 1959 to put out a common stock issue and possibly a $15,000,000 preferred stock issue if there is a satisfactory market. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders (1) For preferred stock: Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers and Riter & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Harriman Ripley & Co., Inc. and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. (2) For common stock: Lehman Brothers and Riter & Co. (jointly); The First Boston Corp., Blyth & Co., Inc. and Kuhn, Loeb & Co. (jointly); White, Weld & Co. and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith.

Our River Electric Co., Luxemburg
Dec. 22 it was reported that this company plans to offer $10,000,000 of bonds in the early part of 1959. **Underwriters**—The First Boston Corp. and Kuhn, Loeb & Co., both of New York.

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● **Pacific National Bank of San Francisco**
Jan. 14 the bank offered 74,511 additional share of new common stock (par $20) to stockholders of record Jan. 13 at the rate of one new share for each three shares held; rights will expire on Feb. 3. **Price**—$42 per share. **Underwriters**—Blyth & Co., Inc. and Elworthy & Co., both of San Francisco, Calif.

Pacific Power & Light Co. (3/3)
Jan. 14 it was reported tnat the company plans an offering to common stockholders of 207,852 shares of additional common stock at the rate of one new share for each 20 shares held about March 3; rights to expire on March 25. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers, Eastman Dillon, Union Securities & Co., Bear, Stearns & Co. and Dean Witter & Co. (jointly); Ladenburg, Thalmann & Co.; Kidder, Peabody & Co. **Bids**—Expected to be received on March 3.

Public Service Co. of New Mexico
Jan. 12 it was reported that the directors will meet on Jan. 27 to discuss the issuance of 50,000 shares of preferred stock. **Proceeds**—For construction program. **Underwriter**—May be Allen & Co., New York.

★ **Puerto Rico (Commonwealth of) (1/28)**
Jan. 15 it was announced that sale of $20,000,000 public improvement bonds dated Jan. 1, 1959 and due annually from July 1, 1960 to July 1, 1979, inclusive. **Underwriter**—To be determined by competitive bidding. Probable bidders may include First National City Bank of New York; J. P. Morgan & Co., Incorporated. **Bids**—To be received up to 11 a.m. (EST) on Jan. 28.

● **Rockland-Atlas National Bank of Boston, Mass.**
Jan. 21 stockholders of record Jan. 20, 1959 were given the right to subscribe for an additional 40,000 shares of capital stock (par $10) on the basis of one new share for each 6½ shares held; rights to expire on Feb. 4, 1959. **Price**—$38 per share. **Proceeds**—To increase capital and surplus. **Underwriter** — The First Boston Corp., New York.

Ryder System, Inc.
Jan. 12 it was reported that the company plans the issuance and sale of 150,000 shares of common stock (par $5). **Proceeds**—For acquisitions. **Underwriter**—Blyth & Co., Inc., New York.

Southern Electric Generating Co. (5/28)
Dec. 10 it was announced that the company plans to issue and sell $25,000,000 of 30-year first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Registration**—Planned for May 1. **Bids**—Expected to be received on May 28.

★ **Southern Pacific Co. (2/18)**
Bids are expected to be received by this company up to noon (EST) on Feb. 18 for the purchase from it of $7,125,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **Technology Instrument Corp. (1/27)**
Jan. 13 it was reported that the company plans early registration of 130,000 shares of common stock via an amendment to an earlier registration statement. **Underwriter**—Shearson, Hammill & Co. and S. D. Fuller & Co., both of New York.

Texas Eastern Transmission Corp.
Dec. 11 it was announced by W. Hargrove, Vice-President, that the corporation plans to raise about $90,000,000 through the sale of new securities (tentative plans call for the sale of bonds, debentures and preferred stock). **Proceeds**—To refund $30,000,000 of outstanding bank loans, and the balance will be used for capital expenditures. **Underwriter**—Dillon, Read & Co. Inc., New York.

Texas Gas Transmission Co.
Jan. 13 it was reported that the company has filed an application with the Federal Power Commission covering $40,000,000 of additional financing. It is believed that $10,000,000 of this new capital will be raised via a common stock offering and the rest will consist of first mortgage bonds. **Proceeds**—For expansion program. **Underwriter**—Dillon, Read & Co., Inc., New York. **Offering**—Not expected for some time.

Thomas & Betts Co.
Nov. 24 it was reported that the company plans early registration of about 250,000 to 300,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Smith, Barney & Co., New York.

★ **Uptown National Bank of Chicago**
Jan. 15 the Bank offered to its stockholders of record Jan. 15, 1959 the right to subscribe for 10,000 additional shares of capital stock (par $25) at the rate of one new share for each five shares held. **Price** — $35 per share. **Proceeds**—To increase capital and surplus.

Virginia Electric & Power Co. (6/2)
Jan. 5 it was reported that the company plans the sale of from $20,000,000 to $25,000,000 of additional common stock. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith; Stone & Webster Securities Corp. **Bids**—Expected to be received on June 2.

★ **West Penn Power Co.**
Dec. 29 it was reported the company contemplates the issue and sale of about $15,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Eastman Dillon, Union Securities & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received some time in May.

★ **Wisconsin Power & Light Co. (4/15)**
Jan. 12 it was reported that the company contemplates the sale of $14,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Bids**—Expected to be received on April 15. **Registration**—Planned for March 9.

Our Reporter's Report

The high grade corporate bond market has been putting on a better show than the Treasury's list since the turn of the week and the dissemination of reports that Congress may be asked to raise the ceiling on interest rates which the Government may offer on new bond issues.

Such reports emanating from the Capital developed in the wake of what was considered a decidedly good reception accorded the Treasury's offering of $750 million of 21-year, 4% bonds, priced at 99, to yield 4.07%.

Prospective buyers placed orders for a total of $1.8 billion of the bonds. And while there is always a recognized amount of "padding" of such orders, it was considered that the foregoing total, 2.4 times the amount offered, consisted over-whelmingly of bona fide subscriptions.

Feeling in the market place is that talk of a move to raise the ceiling on such interest rates is premature to say the least. Consensus seems to be that the Treasury, rather than make such a move, would revert to short-term borrowing for some time ahead.

Again, it was noted, the matter of increased yield, if such a consideration became a pressing factor, could be arranged by offering bonds at the necessary "discount" from parity. There would not be anything novel in such procedure. It was employed in the case of the recent four percents and has been pursued regularly in the weekly sale of discount bills.

Real Quick Mover

Southern Natural Gas Co.'s $35 million of 20-year, first mortgage, pipe line bonds, encountered brisk demand when that issue was placed on the market, at par, to yield 4.75%.

Dealers reported inquiries assured a quick closing of the books. Presumably, the yield, plus the fact that the maturity was considerably shorter than that of most recent utility issues, acted as a spur to investor buying.

The successful group paid the company a price of 99.11 for the 4¾% coupon bonds while the second bid was only $3.20 per $1,000 lower, indicating rather similar thinking on the part of the competing groups.

Institutional Interests

Market observers and traders report that institutional interest in the seasoned and new debt issue markets is showing a tendency to expand considerably at this point.

Such interests, it is argued, are scanning things more closely than they have in over a year. The assumption is that latest hesitation on the part of fixed income securities and continued pyrotechnics in the equity market, widening the spread in relative yields in favor of bonds, is a weighty factor.

True, this rising interest on the part of major investors has not blossomed into any rush to buy as yet, but as observers note "they have the money" anytime they get ready.

Good Week Ahead

Based on the volume of new corporate issues looming for the period, next week promises to be the best since the turn of the year for underwriters and distributors of new securities.

A total of about $179 million of new corporate offerings is on tap, with Consolidated Edison's issue of $59,778,600 of convertible debentures "on rights," set to open Tuesday, as the largest single item.

The same day Avco Manufacturing Corp. has $15 million of debentures slated for offering and Central Illinois Public Service Co. will open bids for $12 million of bonds. Also on Tuesday, Transcontinental gas Pipe Line Corp., will market $35 million of bonds and Central Hudson Gas & Electric Corp. has 350,000 shares of common slated for offering. Wednesday brings $50 million Inland Steel bonds, plus $7 million of Northwest Natural Gas Co. bonds.

Blyth-Kidder, Peabody Group Offers Southern Natural Gas Bonds

Blyth & Co., Inc., and Kidder, Peabody & Co. headed a group of underwriters which offered publicly yesterday (Jan. 21) $35,000,000 of Southern Natural Gas Co. first mortgage pipe line sinking fund bonds, 4¾% series due 1979, at 100%. The group was awarded the issue at competitive sale on Jan. 20 on a bid of 99.11%.

Of the net proceeds from the sale of the new bonds, $25,000,000 will be used for the prepayment of 4¼% notes due June 1, 1959, and the balance will be added to the company's working capital and will be available for construction of facilities, for reduction of the amount of 3¾% notes, which are issued under a revolving credit agreement, or for other corporate purposes.

The bonds are not refundable at a lower interest cost to the company prior to Jan. 1, 1964. Otherwise they are redeemable at regular redemption prices ranging from 104.50% to 100%, and at a sinking fund redemption price of par beginning July 1, 1960. The sinking fund will retire all of the bonds on or before maturity.

The company owns and operates a pipeline system for the interstate transmission and sale of natural gas, at wholesale to other companies and municipalities and gas districts, and directly to certain industrial users. The company is also engaged in the exploration for and development and production of gas and oil.

For the 12 months ended Oct. 31, 1958, total operating revenues of the company amounted to $99,394,000 and net income to $12,117,000, compared with $101,151,000 and $11,269,000 for the calendar year 1957.

First Boston-Lester Ryons Group Offers Rohr Aircraft Stock

The First Boston Corp. and Lester, Ryons & Co. are joint managers of the group that is offering publicly today (Jan. 22) an issue of 300,000 shares of Rohr Aircraft Corporation common stock, par value $1, at $22.50 per share.

The West Coast manufacturing concern intends to use the proceeds of the sale to reduce short-term bank loans and to increase working capital required by a greater volume of commercial business obtained during the past year as a result of the transition to jet aircraft by the major airlines. On Dec. 1, 1958, the company had unfilled orders amounting to about $222,000,000 of which about 65% represented orders for components for commercial aircraft and the remainder for components for military aircraft.

Principal products of the company are power package or pod assemblies for multi-engine, jet, turbo-prop and piston engine aircraft. The company also manufactures various other parts for aircraft. Rohr owns its principal plants located in Chula Vista and Riverside, Calif.; an assembly plant near Auburn, Wash., and its warehouse facilities in Los Angeles. Several other properties are leased.

During the fiscal year ended July 31, 1958, net sales of the company amounted to $147,538,000 and net income to $4,022,000 compared with net sales of $115,766,000 and net income of $3,760,000 for the year ended July 31, 1957.

Rejoins Dempsey-Tegeler

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Donald L. Clugston has rejoined Dempsey-Tegeler & Co., 1000 Locust Street, members of the New York and Midwest Stock Exchanges. Mr. Clugston has recently been with Frank N. Warren & Co. of Emporia, Kans.

Cerro de Pasco Corp. Secondary Completed

A secondary offering of 225,973 shares of common stock (par $5) of Cerro de Pasco Corp. was made on Jan. 21 by Merrill Lynch, Pierce, Fenner & Smith, Inc. The offering was quickly completed. ing was quickly completed.

The proceeds, it is understood, will go to the American Smelting & Refining Co.

Joins White, Weld

(Special to The Financial Chronicle)

BOSTON, Mass. — Barbara A. Cook has joined the staff of White, Weld & Co., 111 Devonshire Street.

With Kenower, MacArthur

(Special to The Financial Chronicle)

TOLEDO, Ohio. — Richard T. Howe has become associated with Kenower, MacArthur & Co. of Detroit, Mich., members of the Detroit and Midwest Stock Exchanges. Mr. Howe was previously with Ryan, Sutherland & Co.

With La Hue Inv.

(Special to The Financial Chronicle)

ST. PAUL, Minn.—Ralph B. Burke is now affiliated with La Hue Investment Co., Pioneer Endicott Arcade.

Joins Paine, Webber

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Frank W. McDermott is now with Paine, Webber, Jackson & Curtis, Pillsbury Building.

With Jaclyn Oertle

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—James B. Biondo has joined the staff of Jaclyn Oertle Investment Securities, 7713a Brookline Terrace.

J. C. Rahel Adds

(Special to The Financial Chronicle)

OMAHA, Neb.—Orville V. Neilsen has been added to the staff of J. Cliff Rahel and Company, Inc., First National Bank Building.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	Jan. 25	§75.8	*74.6	68.2	55.4
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 25	§2,147,000	*2,111,000	1,840,000	1,496,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 9	7,051,835	7,122,335	7,096,654	6,849,985
Crude runs to stills—daily average (bbls.)	Jan. 9	¶8,245,000	8,256,000	7,788,000	7,772,000
Gasoline output (bbls.)	Jan. 9	28,689,000	29,714,000	28,240,000	26,981,000
Kerosene output (bbls.)	Jan. 9	3,102,000	3,080,000	2,698,000	2,524,000
Distillate fuel oil output (bbls.)	Jan. 9	14,532,000	14,593,000	13,651,000	13,189,000
Residual fuel oil output (bbls.)	Jan. 9	7,549,000	7,056,000	7,011,000	7,705,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 9	190,024,000	*186,482,000	174,706,000	198,738,000
Kerosene (bbls.) at	Jan. 9	25,363,000	26,057,000	29,647,000	27,261,000
Distillate fuel oil (bbls.) at	Jan. 9	119,107,000	126,056,000	148,087,000	141,349,000
Residual fuel oil (bbls.) at	Jan. 9	59,991,000	60,525,000	62,816,000	58,257,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 10	550,090	467,699	588,847	569,807
Revenue freight received from connections (no. of cars)	Jan. 10	476,381	¶¶435,784	532,274	490,356
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 15	$301,583,000	$259,989,000	$291,813,000	$219,940,000
Private construction	Jan. 15	125,058,000	85,389,000	109,497,000	105,118,000
Public construction	Jan. 15	176,525,000	174,600,000	182,316,000	114,822,000
State and municipal	Jan. 15	128,415,000	144,106,000	125,759,000	80,115,000
Federal	Jan. 15	48,110,000	30,494,000	56,557,000	34,707,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 10	8,145,000	*7,015,000	9,025,000	8,790,000
Pennsylvania anthracite (tons)	Jan. 10	546,000	447,000	507,000	506,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 10	121	105	293	116
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 17	13,324,000	13,554,000	13,534,000	12,400,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 15	294	321	251	260
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 13	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	Jan. 13	$66.41	$66.41	$66.41	$66.42
Scrap steel (per gross ton)	Jan. 13	$40.50	$40.17	$39.83	$33.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 14	28.600c	28.600c	28.550c	24.575c
Export refinery at	Jan. 14	28.100c	27.125c	27.025c	21.700c
Lead (New York) at	Jan. 14	13.000c	13.000c	13.000c	13.000c
Lead (St. Louis) at	Jan. 14	12.800c	12.800c	12.800c	12.800c
‡Zinc (delivered) at	Jan. 14	12.000c	12.000c	12.000c	10.500c
Zinc (East St. Louis) at	Jan. 14	11.500c	11.500c	11.500c	10.000c
Aluminum (primary pig. 99%) at	Jan. 14	24.700c	24.700c	24.700c	26.000c
Straits tin (New York) at	Jan. 14	98.875c	99.125c	99.000c	92.625c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 20	85.04	85.52	86.52	94.15
Average corporate	Jan. 20	90.06	90.20	90.28	95.62
Aaa	Jan. 20	94.41	94.56	94.86	102.96
Aa	Jan. 20	92.79	92.79	93.52	99.52
A	Jan. 20	89.92	89.78	89.92	96.54
Baa	Jan. 20	83.79	84.04	84.17	84.81
Railroad Group	Jan. 20	88.67	88.40	88.54	92.06
Public Utilities Group	Jan. 20	89.64	89.92	90.34	96.85
Industrials Group	Jan. 20	91.91	92.20	92.64	98.09
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 20	3.93	3.88	3.76	3.00
Average corporate	Jan. 20	4.41	4.40	4.38	4.03
Aaa	Jan. 20	4.11	4.10	4.08	3.57
Aa	Jan. 20	4.22	4.22	4.17	3.78
A	Jan. 20	4.42	4.43	4.42	3.97
Baa	Jan. 20	4.88	4.86	4.85	4.80
Railroad Group	Jan. 20	4.51	4.53	4.52	4.27
Public Utilities Group	Jan. 20	4.44	4.42	4.39	3.95
Industrials Group	Jan. 20	4.28	4.26	4.23	3.87
MOODY'S COMMODITY INDEX	Jan. 20	385.7	384.0	393.0	392.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 10	††316,150	**365,380	‡‡275,370	§264,368
Production (tons)	Jan. 10	††303,880	**320,797	‡‡309,537	§275,279
Percentage of activity	Jan. 10	††78	**55	‡‡94	§88
Unfilled orders (tons) at end of period	Jan. 10	††416,078	**405,256	‡‡403,401	§402,939
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 16	110.57	110.38	110.73	108.44
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 27	1,431,270	2,785,000	2,628,030	1,296,210
Short sales	Dec. 27	226,040	473,130	494,280	194,070
Other sales	Dec. 27	1,145,050	2,195,750	2,130,730	932,940
Total sales	Dec. 27	1,371,090	2,668,880	2,625,010	1,127,010
Other transactions initiated on the floor—					
Total purchases	Dec. 27	208,370	562,100	572,060	294,020
Short sales	Dec. 27	14,000	40,400	45,400	24,400
Other sales	Dec. 27	211,240	500,160	539,970	194,650
Total sales	Dec. 27	225,240	540,560	585,370	219,050
Other transactions initiated off the floor—					
Total purchases	Dec. 27	413,200	902,500	785,110	460,164
Short sales	Dec. 27	81,600	191,780	134,410	46,590
Other sales	Dec. 27	361,660	915,514	806,721	335,922
Total sales	Dec. 27	443,260	1,107,294	941,131	382,512
Total round-lot transactions for account of members—					
Total purchases	Dec. 27	2,052,840	4,249,600	3,985,200	2,050,394
Short sales	Dec. 27	321,640	705,310	674,090	265,060
Other sales	Dec. 27	1,717,950	3,611,424	3,477,421	1,463,512
Total sales	Dec. 27	2,039,590	4,316,734	4,151,511	1,728,572
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Dec. 27	884,168	1,832,249	1,517,823	1,069,228
Dollar value	Dec. 27	$47,440,763	$107,754,083	$72,439,196	$39,504,282
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 27	866,043	1,821,340	1,526,476	1,127,326
Customers' short sales	Dec. 27	4,279	9,354	11,152	8,917
Customers' other sales	Dec. 27	861,764	1,811,986	1,515,324	1,118,409
Dollar value	Dec. 27	$44,494,109	$93,735,024	$71,988,519	$38,952,023
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 27	285,840	596,790	508,010	347,330
Short sales	Dec. 27	------	------	------	------
Other sales	Dec. 27	285,840	596,790	508,010	347,330
Round-lot purchases by dealers—					
Number of shares	Dec. 27	287,725	618,110	464,340	323,610
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Dec. 27	380,430	871,810	873,990	367,890
Other sales	Dec. 27	8,939,200	19,203,650	17,090,470	10,021,700
Total sales	Dec. 27	9,319,630	19,675,460	17,964,460	10,389,590
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 13	119.4	*119.3	119.0	118.7
Farm products	Jan. 13	91.5	*91.6	90.0	93.6
Processed foods	Jan. 13	108.9	108.4	108.0	108.9
Meats	Jan. 13	103.2	102.1	102.0	100.7
All commodities other than farm and foods	Jan. 13	127.3	*127.3	127.0	126.0

*Revised figure. ¶Includes 981,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound. **Eleven days ended Dec. 31, 1958. ††Ten days ended Jan. 10, 1959. ‡‡Week ended Dec. 13, 1958. §§Week ended Jan. 11, 1958. ¶¶Corrected figure.

	Latest Month	Previous Month	Year Ago
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of Oct. (Millions of dollars):			
Manufacturing	$49,300	*$49,300	$54,100
Wholesale	12,100	12,100	12,800
Retail	23,500	23,700	24,200
Total	$84,800	$85,000	$91,100
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of December (000's omitted):			
Total U. S. construction	$1,459,159	$1,111,808	$966,900
Private construction	612,806	430,267	409,765
Public construction	846,353	681,541	557,135
State and municipal	720,340	575,618	504,785
Federal	126,013	105,923	52,350
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of Nov. 29:			
Total consumer credit	$43,464	$43,164	$43,438
Instalment credit	33,126	33,052	33,566
Automobile	14,066	14,164	15,459
Other consumer goods	8,528	8,411	8,289
Repairs and modernization loans	2,146	2,128	2,095
Personal loans	8,386	8,349	7,723
Noninstalment credit	10,338	10,112	9,872
Single payment loans	3,499	3,414	3,325
Charge accounts	4,297	4,191	4,147
Service credit	2,542	2,507	2,400
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of November:			
All manufacturing (production workers)	$11,887,000	*$11,728,000	$12,694,000
Durable goods	6,671,000	*6,431,000	7,322,000
Nondurable goods	5,216,000	*5,297,000	5,372,000
Employment indexes (1947-49 Avge.=100)—			
All manufacturing	96.1	*94.8	102.6
Payroll indexes (1947-49 Average=100)—			
All manufacturing	157.2	*152.2	160.7
Estimated number of employees in manufacturing industries—			
All manufacturing	15,697,000	*15,542,000	16,561,000
Durable goods	8,911,000	*8,673,000	9,608,000
Nondurable goods	6,786,000	*6,869,000	6,953,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of December:			
Weekly earnings—			
All manufacturing	$88.04	$86.58	$82.74
Durable goods	95.65	93.90	88.93
Nondurable goods	78.01	77.22	74.88
Hours—			
All manufacturing	40.2	39.9	39.4
Durable goods	40.7	40.3	39.7
Nondurable goods	39.6	39.4	39.0
Hourly earnings—			
All manufacturing	$2.19	$2.17	$2.10
Durable goods	2.35	2.33	2.24
Nondurable goods	1.87	1.87	1.83
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of October:			
Death benefits	$244,400,000	$233,100,000	$248,800,000
Matured endowments	60,400,000	57,400,000	64,000,000
Disability payments	10,200,000	10,400,000	10,200,000
Annuity payments	53,600,000	47,600,000	47,600,000
Surrender values	120,200,000	119,000,000	118,300,000
Policy dividends	105,200,000	110,300,000	98,200,000
Total	$594,000,000	$577,800,000	$587,100,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of Oct.: (000,000's omitted):			
Ordinary	$4,166	$3,833	$4,021
Industrial	579	557	567
Group	759	666	1,538
Total	$5,504	$5,056	$6,126
METAL PRICES (E. & M. J. QUOTATIONS)—December:			
Copper—			
Domestic refinery (per pound)	28.583c	28.665c	26.339c
Export refinery (per pound)	27.041c	29.476c	23.109c
††London, prompt (per long ton)	£220.994	£242.975	£187.929
††Three months, London (per long ton)	£220.732	£236.588	£191.887
Lead—			
Common, New York (per pound)	13.000c	13.000c	13.500c
Common, East St. Louis (per pound	12.800c	12.800c	13.300c
††London, prompt (per long ton)	£72.202	£75.584	£83.167
††Three months, London (per long ton)	£72.327	£75.838	£83.327
Zinc (per pound)—East St. Louis	11.500c	11.367c	10.000c
§§Zinc, prime Western, delivered (per pound)	12.000c	11.867c	10.500c
††Zinc, London, prompt (per long ton)	£74.342	£75.275	£67.527
††Zinc, London, three months (per long ton)	£71.253	£72.803	£67.063
Silver and Sterling Exchange—			
Silver, New York (per ounce)	89.935c	90.125c	90.368c
Silver, London (per ounce)	76.167d	77.419d	78.173d
Sterling Exchange (check)	$2.80380	$2.80553	$2.80261
Tin, New York Straits	98.976c	99.022c	89.359c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$220.182	$227.045	$226.957
¶Antimony, New York, boxed	32.590c	32.590c	36.590c
Antimony (per pound), bulk Laredo	29.000c	29.000c	33.000c
Antimony (per pound), boxed Laredo	29.500c	29.500c	33.500c
Platinum, refined (per ounce)	$52.000	$55.864	$84.000
†Cadmium, refined (per pound)	$1.45000	$1.45000	$1.70000
‡Cadmium (per pound)	$1.45000	$1.45000	$1.70000
§Cadmium (per pound)	$1.45000	$1.45000	$1.70000
Cobalt, 97% grade (per pound—ounce ton)	$2.00000	$2.00000	$2.00000
Aluminum, 99% grade ingot weighted average (per pound)	$26.800	$26.800	$28.100
Aluminum, 99% grade primary pig	$24.700	$24.700	$26.000
Magnesium ingot (per pound)	35.250c	35.250c	35.250c
**Nickel	74.000c	74.000c	74.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of November:			
Net sales	------	------	$67,151,850
Net purchases	$55,143,500	$17,347,000	------
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Dec. 31	$283,031,201	$283,167,033	$275,002,145
General funds balance	4,961,203	6,524,998	4,606,162
Net debt	$278,069,998	$276,642,035	$270,395,983
Computed annual rate	2.689%	2.679%	2.889%
WINTER WHEAT PRODUCTION—CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of Dec. 1 (bushels)	957,369,000	------	1,179,924,000

*Revised figure. †Average based on the producers' quotation. ‡Based on the average of the producers' and platers quotations. §Average of quotation on special shares to plater. Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Port Colburne U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange. ‡‡Increase all stocks.

Joins F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

AKRON, Ohio. — Stanley K. Morris has become associated with Francis I. du Pont & Co., 12 East Mill Street. He was formerly with Central States Investment Company.

Spencer Trask Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Karl A. Grace has been added to the staff of Spencer Trask & Co., 50 Congress Street.

Mutual Funds

By ROBERT R. RICH

One William Assets Rise 25% in First Seven Months

Net assets of The One William Street Fund, Inc., rose 25.1% during its first seven months of business to reach $276,747,000 at year end, it was announced by Dorsey Richardson, President. Of the $55,526,000 increase over starting assets of $221,221,000 on May 29, 1958, unrealized net appreciation amounted to $29,816,000 or $1.41 per share on the 21,207,794 outstanding shares on Dec. 31, 1958. Of the balance, $24,235,000 was due to net purchases of additional shares.

Common stock holdings were valued at $228,880,917 or 82.7% of total assets, according to the Fund's first year-end report being mailed to its 109,000 shareholders. Only seven months earlier, on May 29, only 7.8% was invested in equity securities. On Sep. 30, $155,850,000 or 61.8% of total assets was invested in common stocks.

Net investment income for the seven months totalled $3,055,682 from which two investment income dividends have been declared. The first, 6½ cents per share, was paid on Nov. 10. The second dividend of 8 cents per share was declared on Jan. 8, payable on Feb. 9 to shareholders of record Jan. 12.

Per share net asset value rose 12.9% during the seven months from $11.56 to $13.05, not including the 6½ cents dividend paid Nov. 10. On Sept. 30, net asset value per share was $12.02.

Referring to the Fund's large equity holdings at year end, Mr. Richardson told shareholders that "emphasis has been placed upon the stocks of companies which should benefit most from anticipated population expansion, rising productivity, new technological developments and rising price levels."

The most important common stock holdings at year end by industries were announced as: public utilities, 11.1%, $30.8 million; oil and gas, 10.7%, $29.5 million; chemical industry, 8%, $22.25 million; steel, 8%, $22.12 million; office equipment, 4.3%, $11.9 million; and pharmaceutical products, 4.2%, $11.6 million.

The five largest of the 131 individual common stock investments at market value on Dec. 31 were: International Business Machines Corp., International Nickel Company of Canada, Ltd., Republic Steel Corporation, National Steel Corporation, and Firestone Tire and Rubber Company.

New additions to the portfolio during the last quarter of 1958 were American Airlines, Inc., Chesebrough-Ponds, Inc., Diamond Alkali Company, Dow Chemical Corporation, Duquesne Light Company, Ex-Cell-O Corporation, May Department Store Company, Ohio Oil Company, Schering Corporation, Superior Oil Corporation, and Whirlpool Corporation.

Among the additions to the Fund's holdings of stocks already in its portfolio during the last quarter were Bethlenem Steel Corporation, Caterpillar Tractor Company, Champion Paper & Fibre Company, Clark Equipment Company, General Telephone Company, International Business Machines Corporation, Lincoln National Life Insurance Company, Mead Corporation, Newmont Mining Corporation, and Standard Oil Company (Ohio).

Portfolio eliminations during the last quarter included preferred stock investments which at Sep. 30 had totalled $1.1 million and $4.2 million corporate bonds held on Sep. 30.

In the report, Lehman Brothers, the Fund's investment adviser, presented the firm's views in three major areas: 1. The Long-Term Outlook for American Industry, 2. Recent Business Conditions, and 3. Outlook for the Months Immediately Ahead. The firm said, in these connections that, "For the long-term we anticipate continued growth in business activity, coupled with a moderately rising price level. A number of factors should promote an expanding prosperity for the American economy in the years ahead.

"One such force is the prospective rapid increase in population. According to what we consider to be the most realistic estimate, the present population of 175 million should increase to 196 million by 1965, to 235 million in the ensuing ten years and to 260 million by 1980. Thus an enormous new consumer market and an enlarged labor force are in the making.

"Another factor which should contribute to a high rate of economic growth is the likely continued increase in over-all productivity. We are entering a period during which, in our opinion, the combination of population growth, the substantial public and private expenditures related to it, the continued advance in productivity, and the probability that there will be no prolonged period of major business decline, justifies an optimistic view of American economic development. We anticipate that the total economy may well be twice its present size by 1980.

"Not withstanding the basic strength of our economy over the longer term, we undoubtedly shall be subject to periodic business recessions which will temporarily interrupt the growth trends in the economy, without permanently impairing them. Such brief recessions were experienced in 1948-49 and 1953-54. Another began in the Fall of 1957. During the Spring of 1958 our economy reached its low point. The action by Federal, state and local governments to increase their outlays together with the stability of consumers' personal income and expenditures (which declined by less than 1%) were important in stimulating recovery. This strength of personal income and consumer spending was, perhaps, the outstanding feature of the recent recession-recovery period.

"Most economic indicators have now turned upward. We believe we have reached a point in general business activity at least equal to, if not in excess of, the peak of 1957 and that further improvement is indicated. In view of the prospective rise in business activity and in view of the trend of profit margins, we look forward to increasing corporate earnings. In our opinion, it is probable that total corporate profits by midyear 1959 will again reach their pre-recession rate."

New Minneapolis Fund to Eschew Income Dividends

According to present plans, Imperial Growth Fund, organized in Minneapolis on Jan. 12, will be the only United States mutual fund which pays no income dividends. The objective of the Fund will be entirely long-term growth.

The Fund's portfolio will, however, include a limited number of income-paying stocks to help pay administrative expenses of the Fund.

Salyards Hofmeister was elected President of the new Fund at the organizational meeting on Jan. 12. Other officers are A. M. Sheldon, Jr., Chairman of the Board; T. N. Ofstedahl, Vice-President; John R. Goetz, Secretary, and John Bedessem, Treasurer.

Directors are Messrs. Sheldon and Hofmeister; Bradley C. Bowman, II, investment counselor, Minneapolis; Donald S. Childs, Jr., Rochester, Minn., physician; Richard H. Donaldson, Vice President, Donaldson Co., Inc., St. Paul; Philip S. Duff, Sr., Secretary and director of Archer-Daniels-Midland Co. and President of the Minneapolis Grain Exchange; Collis M. Hardenbergh, Minneapolis architect; William D. Naffziger, management consultant for Gamble-Skogmo, Inc.; Vernon P. Schoeman, Cedar Falls, Iowa farmer; Clayton W. Westlie, Vice President, Minneapolis Associates, Inc., and James T. Wyman, Vice President, Super Valu Stores.

Messrs. Hofmeister, Sheldon, Ofstedahl and Westlie are officers of Minneapolis Associates, which will administer and manage the Fund. Minneapolis Associates, which has more than 60 representatives in Minnesota, Iowa and the Dakotas, also manages Minnesota Fund, the first mutual fund incorporated in Minnesota.

Over $250,000 has been committed by charter subscribers, making Imperial Growth the largest Fund at time of organization in Minnesota history. Shares will not be sold publicly until later in 1959.

Another unusual feature of the fund is its withdrawal plan. Shareholders, regardless of the size of their account, will be permitted to withdraw fixed amounts at specified times, with any profits taxable as capital gains.

Lazard's Assets Show 14% Gain In Initial Six Months

The first annual report of The Lazard Fund, Inc. reported that net assets had risen to $135,218,257 by Dec. 31, 1958 as compared with the initial paid in capital of $117,937,500 on July 11, 1958. Though in operation for a little less than six months, the net asset value per share had increased to $15.91 at year-end, compared with $14.45 on Sept. 30, and the initial $13.875 on July 11, 1958.

Net worth on the 8,500,000 shares outstanding increased 4.2% during the period ending Sept. 30, and 10.1% during the quarter ending Dec. 31. Unrealized portfolio appreciation amounted to $17,079,314, or $2.01 per share. Net income of $1,218,472 will be substantially distributed in the form of a dividend of 12 cents a share payable Jan. 15, 1959.

The fund at year-end was 87.2% invested in equities or equity type securities, with the remainder in cash or liquid short-term obligations.

With an 87.2% equity position, resulting from additional purchases coupled with market appreciation, the fund's officers said, "We believe that we have now attained an appropriately invested position."

Largest Commitments and Recent Investments

The three largest equity commitments of the fund are in Georgia — Pacific Corp., Royal Dutch Petroleum Company, and American Telephone and Telegraph Co. Aggregate market value of these holdings is approximately $15,600,000.

The fund has made commitments in six railroad stocks. These are—Atchison, Topeka & Sante Fe Railway Company, Denver & Rio Grande Western Railroad Company, Illinois Central Railroad Company, Southern Pacific Company, Southern Railway Company and Union Pacific Railroad Company. It was pointed out that while railroads as a whole do not constitute a growth industry within the railroad field, there are individual companies possessing the same desirable characteristics sought among industrial equities.

Three additional investments mentioned by the officers of the fund were Armour and Company, Bestwall Gypsum Company, and Philips Incandescent Lamp Works, a Dutch corporation.

The fund emphasis on common stock commitments, rather than fixed rate investments, said the letter to stockholders, stresses capital appreciation rather than current yield with the objective that both asset value and income will show a rising trend.

Common Stock Commitments Reflect Confidence in Growing Economy

In the letter to stockholders, Chairman Albert J. Hettinger, Jr., and President Richard H. Mansfield said that the heavy common stock commitment reflected the fund's confidence in the long-term appreciation possibilities inherent in a growing economy, provided ample scope for exercise of judgment in the selection of stocks, and indicated belief in the continuance of the present recovery.

Interplay of Many Forces Will Affect 1959 Economy

The recovery in the country from the recession lows in April has been both vigorous and broad, they stated. The breadth of this recovery, spared the man-made maladjustments which can be created, could result in recovery

extending well into the future. Precedent suggests, they noted, that the rate of recovery, after the initial surge, is likely to be moderate—itself the best insurance against early creation of maladjustments.

Recovery, they pointed out, should be helped by an increase in inventories and capital expenditures, automobile volume, residential building recovery, acceleration in the Federal road building program, strength in the construction program as a whole, and a rise in steel output.

However, they stated, the present corrections in business have escaped the financial sector of the economy. This calls for a monetary policy capable of maintaining confidence in the dollar and halting inflation without checking recovery. Such policy requires a high degree of coordination within the Federal Government, coupled with both skill and courage on the part of the Federal Reserve Board.

Mass. Growth Stock Fund Assets Increased 67%

Massachusetts Investors Growth Stock Fund reports for the year ended Nov. 30, 1958 total net assets of $219,047,368, a record high in the 26-year history of the fund and a gain of 67% over the previous year-end high of $131,180,646 on Nov. 30, 1957.

The net asset value per share on Nov. 30 was $12.46, also a year-end high. Together with a capital gain distribution of 11 cents per share this month, the per-share asset value amounted to $12.57, compared with $9.41 per share a year ago, an increase of 33%.

Shareholders on Nov. 30 totaled 67,047, up from 53,029 a year ago. Shares outstanding at year-end were 17,573,303, compared with 13,943,633. Shareholders and shares outstanding also are new year-end highs. The number of the fund's shareholders has more than doubled in the past two years.

Among the changes in the fund's investments during the quarter ended Nov. 30th were new purchases of Florida Power & Light; Gillette; Grolier Society; Haloid Zerox; Kerr-McGee Oil Ind.; Eli Lilly; Raytheon Manufacturing and Signal Oil & Gas Co. "A."

Eliminated from the portfolio were Bell & Howell; McGraw-Edison and Chas. Pfizer & Co.

Broad Street Sales Show 30% Increase

Gross sales of new shares of the Broad Street Group of Mutual Funds for the year 1958 showed an increase of more than 30% over 1957 to set an all-time high, according to Milton Fox-Martin, President of Broad Street Sales Corporation, national distributor for shares of Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc. Nineteen-fifty-eight sales totaled $27,035,000, as against $20,748,000 for 1957, which had been the previous record year in the history of the Broad Street Group of Mutual Funds.

Railroad Securities

Chicago Great Western

Further industrialization in the territory served has helped the earnings of the Chicago Great Western. The road still is highly dependent on grain and meat products, but the large crops last year softened the drop in traffic caused by the business recession.

It is estimated gross revenues in 1958 were off only around 5% from the peak revenues of the preceding year. Regarded as an efficient carrier due to large capital outlays in recent years, it is believed that with good control over expenses the road in 1958 probably had a net income in the neighborhood of $3,200,000, as compared with $3,551,000 in 1957, which was a record high. The Great Western also received a tax refund of $1,547,000 which was credited directly to surplus. For the first 11 months of last year net income amounted to $3,053,000, equivalent to $5.83 a common share as compared with $3,307,000, or $6.50 a share in the like 1957 period.

With general business activity showing improvement, and additional plants being located on line through aggressive solicitation by the management, the road likely will show improvement in earnings this year as compared with 1958. It also is planned to build a $1,500,000 wharf facility at Rosemport, Minn., which also should add to earnings. This rail-barge transfer facility should place the railroad in a position to participate in the inland distribution of traffic moving on the waterways. In addition, the Chicago yard is to be modernized which could place the road in a position to compete for traffic moving over the St. Lawrence Seaway and the Great Lakes.

Chicago Great Western and other Mid-western roads are seeking a better division of rates on traffic moving from the Pacific Coast to the East and the Midwest. The Interstate Commerce Commission has had this case under consideration for some time and a favorable decision would add to gross revenues and net income. Great Western's share would amount to some $500,000 annually, if a favorable decision is received.

Finances of the road are strong. As of Oct. 31, 1958, cash and cash equivalents amounted to $6,364,000 and current liabilities were $6,000,000. Net working capital at that time aggregated $4,369,000, as compared with $3,807,000 at the end of the like 1957 period.

The Great Western plan of exchanging debentures for preferred stock was not well received by the preferred stockholders. Other plans are understood to be under study and probably a new proposal will be offered to the preferred during the year. Retirement of the preferred stock through issuance of income debentures could save the company as much as $475,000 annually in Federal income taxes. The road is on a $2 cash annual basis and paid 2½% in stock on Jan. 6, 1959.

Ponce de Leon Raceway Stock Offered

Greenfield & Co., Inc., of New York, and Robert L. Ferman & Co., Inc., of Florida and New York, are publicly offering 650,000 shares of common stock (par one cent) of Ponce de Leon Trotting Association, Inc. at $1.50 per share.

The corporation owns Ponce de Leon Raceway which is located on U. S. Highway No. 1, midway between Jacksonville and St. Augustine, Fla., being about 18 miles south of Jacksonville.

The net proceeds will be used for payment of current liabilities, new construction, repayment of loan to Leo Blank, President, and for additional working capital.

The outstanding capitalization of the company after giving effect to new financing will consist of $130,874 of 6% convertible income debentures due Dec. 26, 1968, $41,630 of liabilities due June 15, 1960, and 2,550,000 shares of common stock.

Joins Keller & Co.

BOSTON, Mass. — Carmen M. Cafasso has joined the staff of Keller & Co., 31 State Street.

W. E. Bromsen Opens

William E. Bromsen is engaging in a securities business from offices at 950 East 163th Street, New York City.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—President Eisenhower's budget for the coming fiscal year, his sixth and the largest peacetime document any chief executive ever sent to Congress, not only calls for the retention of all existing taxes, but also some new levies.

This mighty financial program, which affects every man, woman and child in America, could very well lead to some more deficit spending for the 1960 fiscal year starting next July 1. It is unlikely that Congress will hold expenditures to $77,000,000,000. Conservatives in Congress insist that a huge amount of water should be squeezed out of the proposed program.

President Eisenhower calls it a "balanced budget." However, it would be balanced only if Congress provides the additional taxes. This would include extending the present tax rate on corporation profits and certain excise taxes another year beyond the June 30, 1959 expiration date.

New Tax Proposals

The new income proposals suggested by Mr. Eisenhower include raising the present 3 cents a gallon Federal gasoline tax to 4½ cents to keep the collossal highway construction program on a pay-as-you-go basis; raising postal rates to bring in an additional $350,000,000 for 1960; enacting an "equitable plan" for taxing income of life insurance companies; revising rules for computing depletion allowances to insure that they are limited to mining processes, and closing loopholes relating to the taxation of cooperatives, plus a couple of others.

A year ago Mr. Eisenhower sent to Congress a budget estimating that spending would total $73,900,000,000, and look what happened. Congress raised the budget, the recession put a dent in tax yields, and all indications point that the year will end with a deficit of $10,000,000,000, more or less.

The 1960 fiscal year budget is more than $2,500,000,000 greater than the Korean War peak of $74,300,000,000 in fiscal 1953. Of course, the high cost of national security in the space and missile age is a paramount cause for the proposed big spending.

The $77,000,000,000 would be devoted to these things: major national security $45,800,000,000; interest on the national debt $8,100,000,000; agriculture $6,000,000,000; veterans $5,100,000,000; labor and welfare $4,100,000,000; commerce and housing $2,300,000,000; international $2,100,000,000 natural resources $1,700,000,000; general government $1,700,000,000, and contingencies $100,000,000.

Civil Works Outlays Higher

In his budget message, President Eisenhower touched on things that are of vital importance to every person in the field of finance, commerce and business. For instance, he advised Congress that Federal expenditures for civil works in fiscal 1960 will be the greatest in history. Why? Because Congress provided at the 1958 session for the increases in construction programs for water resources, health facilities, public buildings, airways, and highways partly to combat the recession.

The budget recommends in the housing field that the authority of the Federal Housing Administration be broadened and that the ceiling be removed on the total volume of mortgage insurance it can provide. Commitments by the Federal National Mortgage Association to purchase mortgages on housing for urban renewal areas for relocating displaced families will continue to increase in 1960.

Flexible Interest Rates

The Chief Executive made a pertinent recommendation relative to interest rates and hidden subsidies. He pointed out that in a number of important cases, present legislation on programs for making loans, purchasing mortgages, and insuring or guaranteeing private loans results in restrictions on interest rates. Therefore, it creates hidden subsidies and requires excessive use of Federal funds by discouraging private lending. In an effort to correct this situation, Mr. Eisenhower recommended that for interest rates on new loans and commitments:

(a) The 4¾% ceiling on loans guaranteed by the Veterans Administration be replaced by a maximum rate not in excess of the rate for mortgages on sales housing insured by the Federal Housing Administration. This change will also have the effect of revising the interest rate ceiling on direct housing loans of the Veterans Administration.

(b) The ceilings of 4½% and 5% for rental (including armed services) and for cooperative housing mortgages insured by the Federal Housing Administration be increased to levels adequate to assure private financing.

(c) The present statutory interest rate of 2% for loans made by the Rural Electrification Administration be replaced by a rate which will cover the current cost to the Treasury of equivalent-term borrowing and other reasonable costs.

(d) The statutory standard for college housing loans made by the Housing and Home Finance Agency (the rate at present is 2⅞%) be amended to authorize a rate which will cover the current cost to the Treasury of equivalent-term borrowing and other reasonable costs.

(e) The 3½% ceiling on ship mortgage loans by the Maritime Administration be replaced by authority to charge the full costs of the loans.

Such actions by the Congress will encourage the participation of private capital, and, in the long run, will reduce government expenditures significantly. At the same time, government guaranties or insurance will continue to permit interest costs to borrowers more favorable than the rates charged in the open market for similar loans.

Other Heavy Expenditures

An estimated $19,000,000,000 is scheduled to be spent in 1960 for procurement, research, development and military construction. The missile systems will require a larger share of total procurement expenditures and aircraft will take less. The budget provides for the procurement of a total of 1,610 aircraft of various types from jet bombers to helicopters. The shipbuilding program for 1960 calls for another Forrestall-class carrier, 17 other new ships and converting 13 existing ships to more modern types.

Expenditures by the Atomic Energy Commission are expected to reach $2,700,000,000, an all-time high. The budget provides for continuation of construction, development and operation of a number of experimental and prototype power reactors owned by the Federal Government including operation of the atomic power station at Shippingsport, Pa., the world's first nuclear powerplant devoted primarily to the production of electric energy.

Under the heading of international affairs and finance, Mr. Eisenhower asserted that the Export-Import Bank is actively seeking more private participation in its loan and is selling part of its portfolio to private investors with the expectation of financing all of its operations in 1960 from receipts. He said this country is currently negotiating with our Latin American neighbors concerning the establishment of an inter-American banking institution which would facilitate the flow of public and private capital to economic development projects.

The 1960 budget also provides for a substantial merchant marine shipbuilding program. New obligational authority for $129,000,000 is recommended for construction subsidies. A maximum of 330 ships are expected to be eligible for operating subsidies, including a number for new Great Lakes routes. Operating subsidies is estimated at $130,000,000, same as fiscal 1959.

There unquestionably will be long, and sometimes bitter debate over many of the items in the budget. The most dramatic items proposed in the financial program, of course, are the "Space Age" items, and the efforts of scientists and engineers of America to send man hurtling toward the moon in the years ahead.

Although the budget recommendations went to Capitol Hill in the dead of winter, it probably will be late next summer before Congress takes final action on some of the items. That would be "operation normal."

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

BUSINESS BUZZ

"In spite of all their branches I just have the feeling they're really not a big-time outfit."

Joins Daniel F. Rice

(Special to The Financial Chronicle)

CHICAGO, Ill. — Dominic F. Ameche, Jr., has joined the staff of Daniel F. Rice and Company, 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges.

With Draper, Sears

(Special to The Financial Chronicle)

BOSTON, Mass. — E. Kenneth Graham is now affiliated with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Business Man's Bookshelf

Business Loans of American Commercial Banks—Benjamin Haggott Beckhart — The Ronald Press Company, 15 East 26th Street, New York 10, N. Y., (cloth), $7.50.

Economic and Social Change in 1958—Reprint of an Address by Ewan Clague—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y., (on request).

Enlargement of Fund Resources Through Increases in Quotas—International Monetary Fund, Washington, D. C., (paper).

Finances of School Districts (Vol. III, No. 1)—1957 Census of Government—U. S. Department of Commerce, Bureau of the Census, Washington 25, D. C., $2.00.

Great Decisions . . . 1959— "Challenges of a Changing World"; "Will Alliances Keep the Peace?"; "Are We Realistic About Communist Powers?"; "Peace in the Middle East—Whose Job?"; "A 'Better Neighbor' Policy for Latin America"; "World Economic Revolution: What U. S. Policies?"; "New Technology—For Destruction or Plenty?"; "What Kind of World Is Possible?"; "What Challenges to Diplomat and Citizen?"—Foreign Policy Association, Incorporated, 345 East 46th Street, New York 17, N. Y., $1 per set.

Insurance Costs and Controls: A Reappraisal — American Management Association, 1515 Broadway, New York 36, N. Y., $3.75.

Labor Force Under Changing Income and Employment—Clarence D. Long—Princeton University Press, Princeton, N. J. (cloth), $10.

Labor Statistics—Monthly Labor Review, $6.25 per year; Employment and Earnings, 45 cents per copy, $3.50 per year; Occupational Outlook Quarterly, 30 cents per copy, $1.00 per year; Construction Review, 30 cents per copy, $3.00 per year—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.

Making the Most of Your Years—Evelyn Hart — Public Affairs Committee, 22 East 38th Street, New York 16, N. Y. (paper), 25 cents.

New York University Press Spring Books 1959 — Catalogue — New York University Press, 32 Washington Place, New York 3, N. Y.

Real Estate in 1959—A forecast by Roy Wenzlick—Society for Savings, Cleveland, Ohio.

Real Estate Management Department—Institute of Real Estate Management, 36 South Wabash Avenue, Chicago 3, Ill.—$5.50.